

REAUTHORIZATION OF THE FEDERAL  
COMMUNICATIONS COMMISSION: THE FCC'S  
FISCAL YEAR 2016 BUDGET REQUEST

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HEARING  
BEFORE THE  
SUBCOMMITTEE ON COMMUNICATIONS AND  
TECHNOLOGY  
OF THE  
COMMITTEE ON ENERGY AND  
COMMERCE  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED FOURTEENTH CONGRESS  
FIRST SESSION

MARCH 4, 2015

**Serial No. 114-19**



Printed for the use of the Committee on Energy and Commerce  
*energycommerce.house.gov*

U.S. GOVERNMENT PUBLISHING OFFICE

95-451

WASHINGTON : 2016

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# **REAUTHORIZATION OF THE FEDERAL COMMUNICATIONS COMMISSION: THE FCC'S FISCAL YEAR 2016 BUDGET REQUEST**

**WEDNESDAY, MARCH 4, 2015**

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON COMMUNICATIONS AND TECHNOLOGY,  
COMMITTEE ON ENERGY AND COMMERCE,  
*Washington, DC.*

The subcommittee met, pursuant to call, at 10:33 a.m., in room 2322 of the Rayburn House Office Building, Hon. Greg Walden (chairman of the subcommittee) presiding.

Members present: Representatives Walden, Latta, Shimkus, Lance, Guthrie, Olson, Pompeo, Kinzinger, Bilirakis, Johnson, Collins, Cramer, Eshoo, Clarke, and Pallone (ex officio).

Staff present: Ray Baum, Senior Policy Advisor for Communications and Technology; Leighton Brown, Press Assistant; Andy Duberstein, Deputy Press Secretary; Gene Fullano, Detailee, Telecom; David Redl, Counsel, Telecom; Charlotte Savercool, Legislative Clerk; Jeff Carroll, Democratic Staff Director; David Goldman, Democratic Chief Counsel, Communications and Technology; Tiffany Guarascio, Democratic Deputy Staff Director and Chief Health Advisor; Margaret McCarthy, Democratic Professional Staff Member; and Ryan Skukowski, Democratic Policy Analyst.

## **OPENING STATEMENT OF HON. GREG WALDEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON**

Mr. WALDEN. We will call to order the subcommittee on Communications and Technology. And I certainly welcome our witness, Mr. Wilkins, from the Federal Communications Commission. We are honored to have you with us today.

We are here today to talk about the FCC's fiscal year 2016 budget request. Today, as we commence a series of hearings into the agency's reauthorization, I hope to start with the basics and take a close look at the Federal Communication Commission's budget request for fiscal year 2016. This is similar to the hearing we had last year on the FCC's budget request, and I believe fully, as the oversight committee, we need to always take this action.

This year is a request for \$530 million in spending authority that, if approved, would be the highest spending authority in the history of the agency. When the FCC was last formally reauthorized in 1990, its appropriated budget was a little shy of \$117 million.

Much has changed since the last reauthorization of the commission. The industries and markets, certainly, that the commission oversees have, without question, undergone dramatic changes and continue to evolve at a rapid pace. But in the intervening years the FCC has struggled to reflect the evolution of technology that has brought about the integration of voice, video, and data services and the significant shifts in consumer consumption patterns that have resulted.

On the contrary, because it is structured in much the same way as its governing legislation, the Communications Act of 1934, the agency continues to reflect a regulatory scheme predicated on separate titles for specific network technologies and services. Now, this siloed scheme is out of touch with the convergence of technologies in the modern digital era and deserves reform. Nowhere is the Communications Act's failure of imagination more evident than in the FCC's decision to reclassify broadband service under rules developed to regulate the telegraph's heyday, by restructuring a regulatory scheme that had been going the way of the single-use copper line telephone network it was intended to govern, three FCC commissioners repudiated years of light touch regulation of the Internet under both Republican and Democratic administrations.

Now, all this is something some of have differing opinions on in this subcommittee. Our purpose today is not to delve into the issues of net neutrality, but rather to get into the issues of the way the agency has operated and the budget they propose.

The FCC has requested an increase in its budget to \$505 million, including \$388 million in budget authority from regulatory fee collections, and \$117 million from auction funds. That is an increase of \$59 million from the fiscal year 2015 appropriation. Specific items noted in the request includes the usual pay raises for personnel, but also includes funds for the implementation of the public safety answering points do-not-call registry, as required by the Middle Class Tax Relief and Job Creation Act of 2012, \$3 million in costs for the National Broadband Map that the FCC inherited from NTIA when it ran out of stimulus funds to pay for it, a \$5.8 million increase in recurring and a \$11.7 million one-time increase in IT costs, \$51 million in additional funds as the agency prepares to move or restack as their building lease expiration date approaches.

One component of the request that resonates in particular, and is in addition to the \$59 million increase in funding, is a request for a \$25 million transfer from the Universal Service Fund to pay the FCC's costs related to administration of the fund, raising the total increase to \$84 million.

In the past, Congress funded the FCC's Office of Inspector General with a transfer of USF funds for the purpose of bolstering audits and investigations to address waste, fraud, and abuse in the fund following a GAO report, and those funds have been expended by the Office of Inspector General over the last several years. The request for \$25 million is not for audits and investigations by the Office of Inspector General which, based on our last hearing, appears to have a rocky relationship with the chairman's office, but to reimburse the commission for the costs of performing the core function of implementing section 254 of the Communications Act.



This is a disturbing proposal, I would tell you from my perspective. Mr. Wilkins states in his testimony that recovering these costs from the fund will relieve the burden on companies with no relationship to USF that pay fees to the commission. However, this realignment, as it is called, would create a separate funding stream for the agency that comes directly out of the pockets of consumers to implement and support a subsidy program the size of which is determined by the FCC and that has become so large and burdensome that it appears that it has outgrown the FCC's capacity for adequate oversight. It is even more disturbing when we recognize the fact that the Universal Service Administrative Company, USAC, an independent organization designated to manage the fund, already draws in excess of \$100 million a year from the fund for its administration and oversight, and that the FCC's Office of Inspector General dedicates a portion of its funding to USF audits and investigations. According to its last report, USAC had 356 employees at a cost of \$41.6 million.

We have more work to do, obviously. We welcome you here.

[The prepared statement of Mr. Walden follows:]

#### PREPARED STATEMENT OF HON. GREG WALDEN

Welcome to this morning's hearing on the FCC's Fiscal Year 2016 Budget Request. Today, as we commence a series of hearings into the agency's reauthorization, I hope to start with the basics and take a close look at the FCC's budget request for Fiscal Year 2016—a request for \$530 million in spending authority that if approved, would be the highest funding level in the agency's history. When the FCC was last formally reauthorized in 1990, its appropriated budget was a little shy of \$117 million.

Much has changed since the last reauthorization of the commission. The industries and markets the Commission oversees have without question undergone dramatic changes and continue to evolve at a rapid pace. But in the intervening years the FCC has struggled to reflect the evolution of technology that has brought about the integration of voice, video, and data services and the significant shifts in consumer consumption patterns that have resulted. On the contrary, because it is structured in much the same way as its governing legislation, the Communications Act of 1934, the agency continues to reflect a regulatory scheme predicated on separate titles for specific network technologies and services: this “siloed” scheme is out of touch with the convergence of technologies in the modern digital era and deserves reform.

Nowhere is the Communications Act's failure of imagination more evident than in the FCC's decision to reclassify broadband service under rules developed to regulate the telegraph's heyday—By resurrecting a regulatory scheme that had been going the way of the single-use copper line telephone network it was intended to govern, three FCC commissioners repudiated years of light touch regulation of the Internet under both Republican and Democratic administrations. This action suggests an agency seemingly ill-suited to address the needs of the modern communications ecosystem and aggressively expanding its regulatory ambit to compensate for its growing obsolescence.

During my time as chairman of this subcommittee, we have held several hearings focused on oversight of the FCC. The FCC chairman and commissioners have joined us multiple times to discuss agency process and the wide range of issues before the commission, and just last fall, the Managing Director and Inspector General were here to examine the agency's budget and management. Today's hearing is an opportunity to continue this work. In many respects, the budget request is like a window into the agency itself. By following the money we can identify the agency's priorities and those functions that have evolved to define the agency.

The FCC has requested an increase in its budget to \$505 million, including \$388 million in budget authority from regulatory fee collections and \$117 million from auction funds—an increase of \$59 million from the FY2015 appropriation. Specific items noted in the request includes the usual pay raises for personnel, but also includes funds for the implementation of the public safety answering points do-not-call registry, as required by the Middle Class Tax Relief and Job Creation Act of

2012, \$3 million in costs for the National Broadband Map that the FCC inherited from NTIA when it ran out of stimulus funds to pay for it, a \$5.8 million increase in recurring and a \$ 11.7 million one-time increase in IT costs, and \$51 million in additional funds as the agency prepares to move or restack as their building lease expiration date approaches.

One component of the request that resonates in particular, and is in addition to the \$59 million increase in funding, is a request for a \$25 million transfer from the Universal Service Fund to pay the FCC's costs related to administration of the fund—raising the total increase to \$84 million. In the past, Congress funded the FCC's Office of Inspector General with a transfer of USF funds for the purpose of bolstering audits and investigations to address waste, fraud, and abuse in the Fund following a GAO report—and those funds have been expended by the Office of Inspector General over the last several years. The request for \$25 million is not for audits and investigations by the Office of Inspector General—which based on our last hearing appears to have a rocky relationship with the chairman's office—but to reimburse the commission for the costs of performing the core function of implementing section 254 of the Communications Act. This is a disturbing proposal. Mr. Wilkins states in his testimony that recovering these costs from the fund will relieve the burden on companies with no relationship to USF that pay fees to the commission. However, this "realignment" as it is called would create a separate funding stream for the agency that comes directly out of the pockets of consumers to implement and support a subsidy program the size of which is determined by the FCC and that has become so large and burdensome that it appears that it has outgrown the FCC's capacity for adequate oversight. It is even more disturbing when we recognize the fact that the Universal Service Administrative Company—USAC, an independent organization designated to manage the Fund already draws in excess of \$100 million a year from the Fund for its administration and oversight and that the FCC's Office of Inspector General dedicates a portion of its funding to USF audits and investigations. According to its last annual report, USAC had 356 employees at a cost of \$41.6 million.

This proposed transfer of funds out of the Universal Service Fund alone raises significant questions about the FCC's budget and the ever increasing size of the Fund. Taken in conjunction with the request for the first \$51 million of an estimated the \$71 million in costs for the FCC's relocation and other proposed increases there is much to discuss. We are fortunate to have the individual responsible for managing the Commission's budget and financial programs with us again, Mr. Jon Wilkins, the Managing Director of the FCC. It is my hope that our conversations today will pull back the curtain and provide the committee and the American people with a better understanding of the Commission's financial and performance goals for Fiscal Year 2016 and what the Commission is really up to.

Mr. WALDEN. I have used up the balance of my time. I now recognize my friend and colleague from California, Ms. Eshoo.

**OPENING STATEMENT OF HON. ANNA G. ESHOO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA**

Ms. ESHOO. Thank you very much, Mr. Chairman. And good morning to you and to the Members, and to Mr. Wilkins. Welcome.

Today's topic is an important one; the FCC's budget, and we again welcome you back to the subcommittee, Mr. Wilkins.

I noticed that we have some very young people in the audience, and it occurred to me, I wonder if they know what we are talking about, if they are going to get this. So let us see if we can't keep it at an elemental level so that you understand what the committee is doing and why we are here today. It is very important because we are reviewing the proposed budget for a very important agency, the Federal Communications Commission.

I think the questions that I would like to see addressed anyway, because I think that they are very high import, are the following. And that is, will the agency have the necessary staff to carry out the world's first voluntary incentives spectrum auction, along with

the IP transition, the review of pending mergers, and USF reform. These are all topline priorities, not only for the agency, but for this committee that has really shaped those policies that are carried out by the FCC. So I want to make sure that you have the resources to do that.

Will the agency be able to upgrade its IT infrastructure so that public comments on issues that are important to the American people can be filed without crashing your Web site. We saw what happened last year when there were over four million people that weighed in, voicing their support for enforceable net neutrality rules, and I would like to hear about that, what plan do you have and what is built into your budget to handle that. Will the agency remain on track to move its headquarters within the next 2 years? It is my understanding that by reducing the agency's footprint, that it is estimated that approximately \$119 million of taxpayer dollars would be saved over 15 years. Now, that may not be the biggest number in the Federal Government, but I think anyone that is in the room would welcome having \$119 million in their checking account over the next 15 years. Finally, will the FCC be able to develop and implement, and I think the chairman raised this, a do-not-call registry for telephone numbers used by 911 call centers. This is, again, another high priority of ours. Certainly, it has been mine, going back to the '90s. This provision was included in the Public Safety and Spectrum Act that we wrote in this committee in 2012 to ensure that automatic dialing or robo-call equipment does not tie up public safety lines, and unnecessarily divert critical emergency resources.

So I don't think these are small questions. They are important ones, and they track on a parallel track what the subcommittee's priorities and legislation has been, and especially when the agency, and this is my understanding, you can confirm it or deny it, that the agency is employing today the lowest number of full-time staff in 30 years. The agency has to have the tools and the resources to fulfill its mission, which means more successful spectrum auctions, like the nearly \$45 billion, we are so proud of that, we really are very proud of that, that was raised earlier this year.

So whether it is protecting the public interest, promoting competition, enhancing innovation, these are all of the core of the mission of the FCC, and we look forward to hearing your testimony. Thank you for your service, and I look forward to your directing answers to us on the questions that I pose.

And with that, I yield back. Thank you, Mr. Chairman.

Mr. WALDEN. Gentlelady yields back the balance of her time.

The chairman recognizes the gentleman from——

Ms. ESHOO. I forgot something, Mr. Chairman. May I ask for——

Mr. WALDEN. Of course.

Ms. ESHOO [continuing]. Unanimous consent to submit a letter for the record from Consumers Union? It regards the importance of the FCC's IT modernization for American consumers.

Mr. WALDEN. Without objection.

Ms. ESHOO. Thank you.

[The information appears at the conclusion of the hearing.]

Mr. WALDEN. Now we recognize the gentleman from Ohio, the vice chair of the subcommittee on Communications and Technology, Mr. Latta, for 5 minutes.

**OPENING STATEMENT OF HON. ROBERT E. LATTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO**

Mr. LATTA. Well, thank you very much, Mr. Chairman. And, Mr. Wilkins, thanks for being with us today.

Oversight of the FCC serves as a critical function in maintaining accountability and transparency at the agency. Given the FCC's integral role in the information and communications technology marketplace, we have a responsibility to ensure that the processes at the commission are not wasteful, and reflect a capability to handle such significant parts of our Nation's economy. With that said, today's hearing represents a valuable opportunity to examine the commission's budget management and spending practices. Additionally, it is important for us to gain a better understanding of the challenges facing the agency that contribute to limiting the efficiency of its operations. As a Representative, I take great responsibility in ensuring that taxpayer dollars are spent wisely and effectively.

I look forward to discussing how Congress can work with the commission to ensure the advancement of the communications and technology economy in a fiscally-responsible manner.

And, Mr. Chairman, I yield back the balance of my time.

Mr. WALDEN. Gentleman yields back the balance of his time.

Chair recognizes the ranking member of the full committee, the gentleman from New Jersey, Mr. Pallone, for 5 minutes.

**OPENING STATEMENT OF HON. FRANK PALLONE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY**

Mr. PALLONE. I want to thank the chairman and our Ranking Member Eshoo for having this hearing, and welcome Managing Director Wilkins.

We are here today to take a look at the Federal Communications Commission's fiscal year 2016 budget estimates. The FCC has broad jurisdiction. It oversees industries that account for approximately 1/6 of the economy, and growing, but it also has been operating with the same budget for the better part of a decade now, and that does not account for the damage done by the sequester. So I should note that the FCC operates with fewer than 1,700 full-time employees, and I would say that that is certainly a small but efficient agency.

This year, the FCC asked for a \$48 million increase in its budget authority over last year. The vast majority of that increase would pay to move the commission's headquarters to a new home. Overall, the move would create a smaller footprint for the agency, which will save \$119 million over the next 15 years. Most of the remaining increase is to upgrade the commission's aging and creaky information technology infrastructure, which Ms. Eshoo mentioned, and that is an update that will net a savings of up to \$10 million over the next 5 years. This is the same computer system that famously ground to a halt under the weight of 4,000,000 Americans writing

in to voice their opinions about network neutrality, and 4,000,000 is certainly an eye-popping number when it comes to comments on a single proceeding. Modern computers, however, should be able to handle that load without blinking.

Now, together, these temporary budget increases will save the government nearly \$130 million in the long run. Rejecting these costs out-of-hand would be penny wise but pound foolish, and fortunately, this subcommittee is practiced at reviewing these types of budget requests.

Today's hearing is actually different than other FCC budget hearings for a couple of reasons. First, it is the start of an effort to revive an FCC reauthorization process that has been dormant for 25 years, with the struggle Republicans have been facing to fund the Department of Homeland Security, however, I doubt the public wants us to create a brand new funding cliff. Second, the timing of today's budget hearing has raised some eyebrows, coming just days after the commission adopted new network neutrality protections. And now, that might be a coincidence, and I am hopeful it is because I think we should all agree that this committee has a responsibility to conduct a genuine oversight. We must make sure the FCC's dollars go as far as possible, but we should also ask whether the commission has sufficient funding to maintain its critical services for the public, and together, it is our job to make sure that we strike the right balance.

And I guess there is nobody else, so I will yield the balance of my time.

Mr. WALDEN. Gentleman yields back the balance of his time.

As I said in my opening statement, this is an annual process authorization committees are supposed to go through to review budgets, so that is why we are here today.

And, Mr. Wilkins, we are delighted you could join us today as the managing director for the Federal Communications Commission, a big duty, and we welcome your testimony and the work you do down there. Please go ahead.

**STATEMENT OF JON WILKINS, MANAGING DIRECTOR,  
FEDERAL COMMUNICATIONS COMMISSION**

Mr. WILKINS. Thank you, Chairman Walden, Ranking Member Eshoo, members of the subcommittee. I do appreciate the chance to be here today to talk to you about our budget request.

I submitted my written testimony. What I thought I would use my introductory time for is just to say a few words about each of the four slides that I submitted, because they provide some good context for our budget.

[Slide shown.]

The first slide. So just taking the historical perspective, the FCC does have a two-plus decades record of being a very good fiscal steward for the U.S. Government. So the left-hand side of the chart shows that we are now closing in on \$100 billion of revenue raised for the Treasury since 1994, overwhelmingly from our auctions proceeds. Over that same time frame, we have spent less than \$8 billion on agency operation. So for the U.S. Treasury, that means that 8 cents spent on the FCC generates \$1, and of course, even that 8 cents doesn't come from general revenues, it comes either from

retained auction proceeds for a very tiny portion of those auction revenues, or from our Section 9 reg. fees.

Now, our budget request for '16 is significant, and exactly as you said, Chairman Walden, it is for \$84 million. I just want to make three points about that request. The first one is that the lion's share of that request, 71 percent, is from a management standpoint, these are unavoidable costs; these are not costs that management is, for example, seeking as a new initiative. The bulk of it is for the move. Our current lease expires in October 2017, and we do have to spend some money to reap the long-term benefits of lower lease costs. We are requesting \$21 million for IT. The bulk of that is to finish the job that we started to truly transform and modernize our IT infrastructure. It is by far our most important management initiative. It will bring benefits and costs in efficiency and in operations. And then the third point, these are the only things we are requesting more funds for. In the last several years, we have asked for more money from more people, for example. We are not doing that. We heard the message and, in fact, over the last year we have had a chance to look at our workforce. We think we can do the job with the people we have if we can upgrade the IT. So it is a big request, but it is really just for these things.

Now, to put that budget request in context, for the last 6 fiscal years, on the left-hand side, the FCC has been essentially flat. Our auctions funds was at \$85 million for 9 years. It has gone up 2 of the last 3 years, specifically for the incentive auctions. We appreciate that, and that work is going well. In our non-auctions area though, we have been actually flat in nominal terms. We had a very small increase from '11 to '12 that was more than offset by sequestration, and in real terms, our purchasing power has gone down. So we are mainly a people-centered agency. Federal pay increase alone increases our cost by a couple of million dollars a year. Our rent goes up a little bit every year. So to put that in context, fiscal year 2015, our flat budget was paired up against almost \$7 million of increased costs just for our people and our rent and other contracts. That is about 40 to 50 people. In a given year, the FCC loses about 100, 120 people, just to retirement and other attrition. So what the flat line really means is that for every two people that leave the commission right now, we can only replace one. And the right-hand side shows the results of that. As Member Eshoo said, our staffing is at its lowest, again, in '15, and our current management plan is for it to go even lower in 2016; more than 100 lower than 6 years ago, and more than 200 lower from the 20-year average.

Finally, IT we think really is the solution to this. There is no question that we can use IT to do our work more efficiently, more transparently, and to support all the things that Congress wants us to do. Over the last year, we have put in place a very strong plan. We have actually started to move it down the field. Three main areas, infrastructure costs. As of today, we still have over 200 very expensive large servers sitting in very expensive downtown real estate, being serviced by very expensive direct contractors. Using some reprogramming money we got last year, we have just finalized a contract to move those to an off-site facility. It is the first step in moving to a truly low-cost, secure cloud, efficient envi-

ronment. When you do that, you can improve the way you work with data. So at the FCC, we have over 100,000 data objects, including multiple definitions of the same basic thing that, to a business person, seems ridiculous, 40 terabytes of data, very expensive. When we have the infrastructure upgraded, we can then essentially put all that data into a similar shared environment that we can use much more efficiently. And that then gets to the third piece; mission systems. That is where we really saved the most money. We right now do most of our software development on kind of a custom model. Everything is a, you know, it is a custom renovation, if you will. We want to get to a world where it is, you know, it is IKEA, you know, you just have the pieces, it is pretty easy to build. When the infrastructure and the data are modernized, we think that we can cut our development costs by 50 to 75 percent and the times to be shorter. So this is a thing that, from a management perspective, we just want to plant our flag. We want to be able to do this, and it will allow us to do a lot of things more efficiently, and better do what Congress needs us to do.

And with that, I am happy to take any questions. Thank you again.

[The prepared statement of Mr. Wilkins follows:]

**Testimony of Jon Wilkins  
Managing Director  
Federal Communications Commission**

**Before the Committee on Energy and Commerce  
Subcommittee on Communications and Technology  
U.S. House of Representatives**

**Hearing on “Reauthorization of the Federal Communications Commission:  
The FCC’s FY 2016 Budget Request”**

**March 4, 2015**

Good morning Chairman Walden, Ranking Member Eshoo, and Members of the Subcommittee. I appreciate this opportunity to appear before you to discuss the FCC’s Fiscal Year (FY) 2016 Budget Request. The Commission is requesting \$388,000,000 in general spending authority derived from Section 9 regulatory fees for our overall non-auction costs, with \$12,253,600 of those funds designated to satisfy the Office of Inspector General’s request. In addition, we are requesting an auctions cap of \$117,000,000, as well as the transfer of \$25,000,000 from the Universal Service Fund (USF) to cover our costs for that program.

Our FY16 budget represents management priorities developed and honed during the course of the past year, and demonstrates a dedication to creating efficiencies and executing tailored but significant long-term, cost-savings measures. As the first slide in our attached presentation shows, the FCC is – and continues to be – a fiscally responsible agency, with a financial return to the government of 13 times our combined operational costs since 1994. The Commission also continues to focus significant energy on the deficit-reducing and economy-building spectrum auctions program. Already in the current fiscal year, we are expected to generate over \$20 billion toward deficit reduction, as well as billions of dollars of funding for



nationwide public safety communications under FirstNet, and a range of other programs mandated by Congress in the Middle Class Tax Relief and Job Creation Act of 2012.

The FCC's FY16 request represents a marked increase over the FY15 appropriated number of \$339.8 million, and the auctions cap would be \$11 million more than we received last year. These are well considered requests that reflect necessary operational demands. For FY16, the Commission has been forced to adjust its costs upward to manage and execute activities leading to the termination of our headquarters lease in 2017. As slide two shows, over 70 percent of our requested increase supports "unavoidable" costs such as the restacking and move, inflationary increases, and the OIG base increase. Importantly, we will use the move as an opportunity to create greater cost savings and efficiencies by significantly reducing the Commission's footprint and instituting new management techniques that encourage greater use of shared space. Current projections show net savings of over \$100 million over the life of our new post-2017 lease.

We are aware that the Commission's licensees will bear the brunt of the move as well as other essential programming costs, and we are continuing to ensure that we assess fees in a fair and equitable manner. This past year, we reduced the burden of regulatory fees on smaller businesses by increasing the *de minimis* payment level. This action relieved approximately 2,500 small licensees – those owing less than \$500 – from having to pay fees. We also have recalculated the amounts due by different licensees to ensure regulatory fairness, and we will continue to revise this process as warranted by industry developments.

Given the special circumstance of the large, move-based increase, the Commission determined that FY16 would be the optimal time to properly align USF expenditures with cost

outlays. Accordingly, the FY16 budget proposes shifting USF funds to cover our salary and compensation expenditures directly related to USF activities. This realignment will reduce by \$25,000,000 the Section 9 regulatory fee burden on licensees with no USF relationship. USF will pay these costs instead of forcing entities such as small, local broadcasters and marine licensees to pay for USF FTE activities at the Commission. Note that without this realignment of USF costs, the Commission's FY16 budget request would have been \$413 million instead of \$388 million.

Last year, we requested \$375 million for our overall budget but received \$36 million less than our request. This FY15 spending level slowed implementation of our long-term planning efforts and led to tough budget decisions. Where we specifically requested programming funds that did not materialize, we were forced to delay or alter our goals. For instance, we suspended the high-dollar launches of two programs outlined in our FY15 budget – the Public Safety Answering Point (PSAP) Do-Not-Call Registry, and scheduled updates to the National Broadband Map. Our FY16 budget includes a funding request to restore our work in these two important areas. We have asked for \$250,000 to support the start-up of the Do-Not-Call Registry and \$600,000 for yearly maintenance. Updates and upkeep for the National Broadband Map will cost \$3,000,000 a year. Before the FCC inherited the program, NTIA had a direct funding stream for this key nationwide broadband deployment resource. Funding for the FCC's programmatic takeover will leverage previous investments with new approaches to providing open access to government data.

It is also important to note that over the past six years – beginning after FY09 – the FCC has operated under essentially flat funding levels for our non-auctions activities. In fact, calculating the flat funding levels in light of inflation and sequestration impacts shows that we

have suffered actual reductions in the purchasing power of our budget. Although our auctions cap increased in FY13 – FY15 after a nine year flat cap, auctions monies only offset auctions operations. We have mostly directed these increases toward additional costs related to the broadcast incentive auctions process.

Flat funding has led to staff reductions: our third slide in the attached presentation illustrates this trend. We already have reduced our overall projected FTE levels for FY15 and FY16. Our FY16 projections include a net 37 FTE reduction, including an overall non-OIG reduction of 45 (offset by an OIG increase of 8 FTEs), and a non-auctions reduction of 49 FTEs. Given these austere conditions, we are currently examining additional workforce restructuring in all of our facilities to realize more savings. We already are undergoing an attrition-driven workforce restructuring process in many of our bureaus. While we will seek to restructure in ways that allow the FCC to continue to perform its mission, lower FTE levels could have adverse operational effects. For example, in the licensing operations area since 2010, our full-time FTEs have declined by more than 25 across several bureaus, versus steady growth in license applications over that same time. This situation could have an impact on the speed at which we perform licensing operations.

Many of our workforce issues go hand-in-hand with the need to improve our Information Technology (IT) systems: numerous paper-based, manual processes exist at the FCC, resulting in hidden, human-intensive costs that could benefit from automation. Moreover, the costs of continuing business as usual with these IT systems will undermine the financial stability of the Commission. The Government Accountability Office has noted that federal agencies currently spend more than 70 percent of their IT budgets on maintaining legacy systems. The FCC, like other agencies, has been caught in this legacy trap; as of the end of FY13, we were trending well

above even the federal average of 70 percent. We have tackled this problem head-on and targeted all available resources toward modernizing our IT systems. We pulled together our remaining funds at the end of FY14 and received a reprogramming to apply \$8.75 million to support this process.

The Chairman has identified our ongoing IT modernization as a management imperative, both to support process reform efforts as well as to improve cost efficiency, and our FY16 budget request reflects this emphasis. As our fourth slide summarizes, our IT-focused management strategy and reprogramming have delivered solid, early results. We are well on our way toward making the necessary changes to ensure that our FCC.gov website is accessible and user friendly for consumers and stakeholders. We have initiated a process to move all onsite IT infrastructure to a secure, lower cost, off-site service provider ahead of our 2017 required move, to realize cost savings and improve system resiliency. We also rolled out the new Consumer Complaint Database at 1/6<sup>th</sup> the traditional cost for such a project, which epitomizes many of the agency-wide changes that we hope to implement – inexpensive, off-the-shelf solutions, combined with resiliency, user-friendly options, and the potential to improve our internal data collection methods to increase transparency and inform policy-making decisions.

Still, limited funds have delayed many improvements and threaten to cost us more each day that we are unable to move ahead. The specific funds required are outlined in our FY16 budget: \$5.8 million to replace the FCC's legacy infrastructure with a managed IT Service provider, as well as one-time infusions of \$9.6 million to rewrite the FCC's legacy applications as part of a modular "shift" to a modern, resilient, cloud-based platform. We also have asked for \$2.2 million to improve the resiliency of the FCC systems, specifically to address gaps identified in our recent FISMA audit process. These funding requests have been refined over a year-long

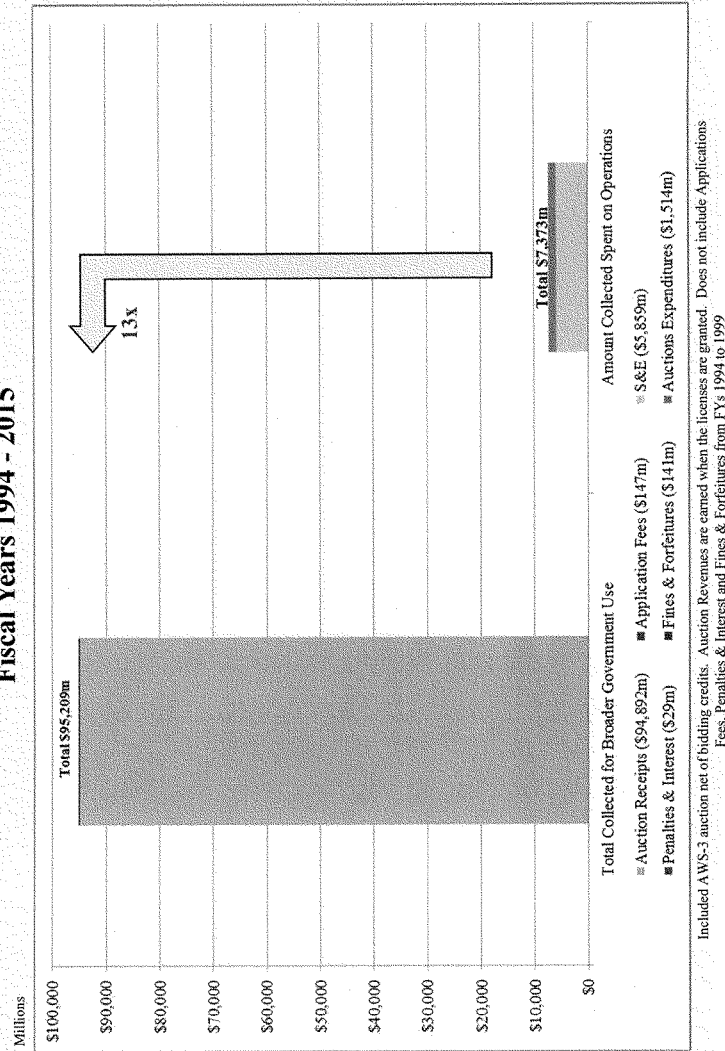
planning process and are essential to our core agency mission. Without this infusion of funding in FY16, we face the prospect of being unable to follow-through on critical upgrades and costing those who we license more – with far fewer benefits.

**Conclusion**

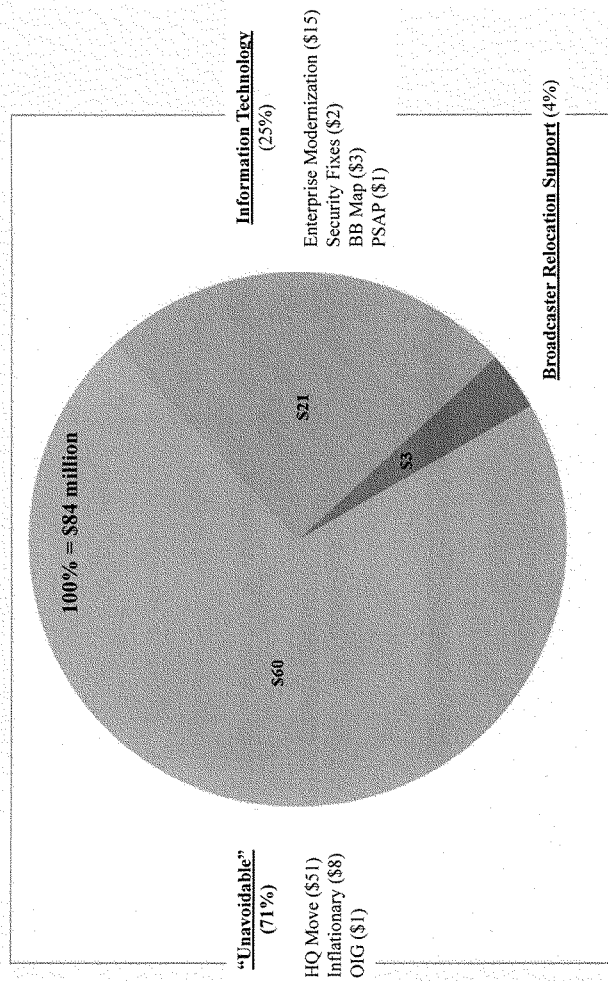
The FCC's FY16 Budget Request provides specific, targeted funding solutions to IT system issues, while ensuring the availability of resources for a required 2017 re-stacking and headquarters move. We are firmly committed to demonstrating the financial benefits of our IT modernization strategy; if we are able to make our planned investment in FY16, we would be on track to reduce our go-forward IT budget by at least \$2 million in FY17. The Commission also has included a request to use USF funds to administer USF programs to improve regulatory fee fairness. These basic changes and funding increases are necessary for long-term planning and cost-savings, as well as the improvement of overall agency operations.

Thank you for this opportunity to discuss our FY16 budget and related management issues. I look forward to answering the Subcommittee's questions.

# **FCC Returns 13x Our Budget to the U.S. Treasury** Fiscal Years 1994 - 2015

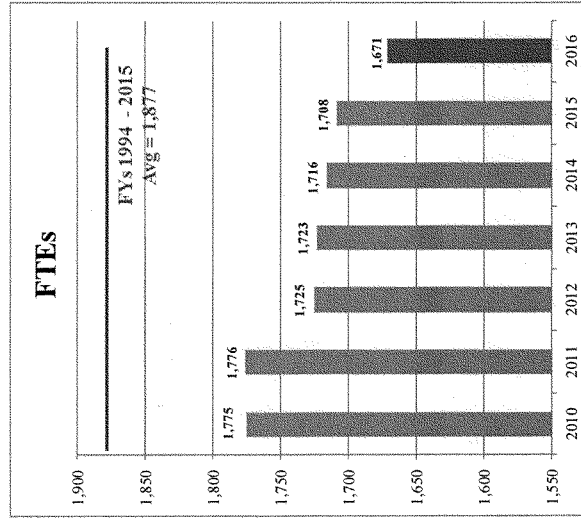
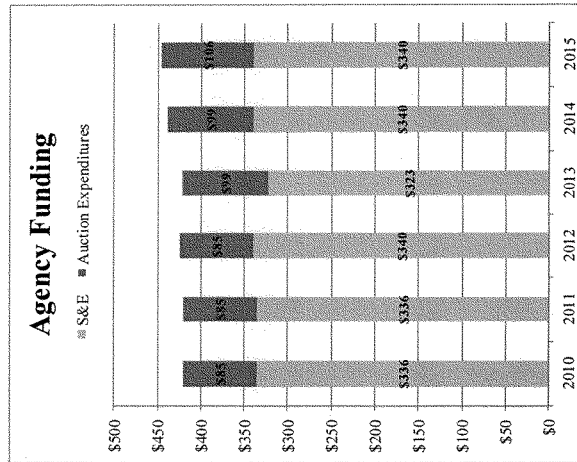


## More Than 70% of Requested FY2016 Budget Increase Is For “Unavoidable” Costs



## Non-Auctions Funding Has Been Flat Since 2010, and FTEs Continue to Trend to Historic Lows

Millions



FY 2016 Projected



## Requested IT Investments Would Support Significant Improvements in Cost, Speed, Security, and Quality

### Infrastructure

**From:** Over 200 on-premise, antiquated servers occupying expensive downtown real estate

**To:** 100% off-premise, cloud-based deployment in a secure multi-agency facility

### Data

**From:** 100,000 unique data objects, 43 Tb of stove-piped, inaccessible and non-reusable data

**To:** Single data architecture for ALL internal and external data, significantly enhanced transparency

### Mission systems

**From:** 207 systems, typical \$600,000 cost for new projects, 6 months to complete, very high ongoing maint/support

**To:** Handful of core systems supporting multiple front end applications, 50-75% lower cost / faster timelines per project

Mr. WALDEN. I appreciate that, and I appreciate the leadership you have given.

I want to go back to this ratio, the 13 times, because \$79 billion of that actually is from three auctions——

Mr. WILKINS. True.

Mr. WALDEN [continuing]. Correct? You are not going to sit here and guarantee me that you are going to return 13 times investment every year, year in and year out. It is really pretty lumpy in there.

Mr. WILKINS. It is lumpy, and——

Mr. WALDEN. Yes.

Mr. WILKINS [continuing]. Actually, until the most recent AWS-3 auction, the average was around \$2.2 billion a year.

Mr. WALDEN. Yes.

Mr. WILKINS. Actually, when you add in \$45 billion, that goes up quite a bit——

Mr. WALDEN. Yes, right.

Mr. WILKINS [continuing]. But it will be lumpy. That is the nature of auctions——

Mr. WALDEN. Yes.

Mr. WILKINS [continuing]. But on the long——

Mr. WALDEN. But the commission itself is not generating 13 times investment year in and year out.

Mr. WILKINS. Certainly, it depends on auction proceeds.

Mr. WALDEN. There you go. I believe you are aware that the committee sent an oversight request to the commission on February 18, asking for a set of information related to the commission's regulatory and administrative processes, that request was signed by me and Chairman Upton and Chairman Murphy, motivated by a concern with the variety of lapses that we perceive in the way the commission has been conducting its regulatory and administrative business. As you may be aware, the due date for that production of that information was today, and I was distressed to be informed by my staff a little while ago that that apparently is not going to be available today, which we had hoped. I don't know how much you have been involved in that matter, but I hope you will convey the following message to the chairman's office, that we understand the commission and staff is very busy, we do not intend to pose meaningless or trivial obligations, but we do take seriously our oversight responsibility. With respect to this specific request, I would strongly recommend the chairman's staff make available every effort to comply with our information request by today's deadline. Based on the rigor of the response, we will make every effort to work with the chairman and his staff to be fair and reasonable.

Do you have anything to add to that?

Mr. WILKINS. No. I absolutely will convey that back to the chairman's staff when I am back at the commission later.

Mr. WALDEN. So there have been some issues come up lately I wanted to ask you about, given your expansive role there. Does the FCC have policies or rules regarding staff use of social media, such as Twitter, in their capacity as employees of the commission, and do these policies or rules proscribe a recordkeeping and retention policy for those communications?

Mr. WILKINS. So any use of personal, whether it is e-mail or social media, certainly is subject to general Federal Records Act requirements—

Mr. WALDEN. Right.

Mr. WILKINS [continuing]. Including the schedules that we have in place. Those rules, as you know, certainly do require if you are doing things that are official government business in those environments, it is the responsibility of the employee to bring them back into our records environment.

Mr. WALDEN. All right. Recently, it was reported that a senior member of the Greenhill and Company had left his position and joined the commission as a volunteer. I have a couple of questions here. Could you describe what he will be doing? Didn't the commission contract with Greenhill to perform work related to the auction? I would like to know about that contract, was it competitively bid, was Greenhill the lowest-cost bidder, when was it awarded, you know, the basic sort of oversight that we need to do here. What can you tell me about this issue involving Greenhill and Company?

Mr. WILKINS. So let me follow up on the exact details of that contract. Greenhill, as you know, it is an investment firm that we contracted with to do estimates of the value of broadcast licenses—

Mr. WALDEN. OK.

Mr. WILKINS [continuing]. For the spectrum auction, as part of that process.

Mr. WALDEN. Right.

Mr. WILKINS. The results of their work has been shared with quite a few broadcasters around the country.

Mr. WALDEN. Yes.

Mr. WILKINS. I think we have found them pretty valuable. In terms of that individual, we will follow up with you on the details.

Mr. WALDEN. Yes, we will have more questions on that for the record, but the extent to which you can follow up, and we are trying to get this information back because, you know, the week after—when we return after next week, we will have all five commissioners here, and so it would be, I think, helpful for that hearing if we had—

Mr. WILKINS. OK.

Mr. WALDEN [continuing]. Some of this information. And so we will follow up with more of the questions related to Greenhill.

So let me move on to the USF issue because that is one that has obviously gotten our attention. It appears that a little less than ½ of the \$25 million in the Universal Service Fund is going to the Wireline Competition Bureau, is that accurate?

Mr. WILKINS. Yes.

Mr. WALDEN. And is any of that money going to the Wireline Competition Bureau?

Mr. WILKINS. Yes.

Mr. WALDEN. And for what purpose and what kind of USF work does WCB do?

Mr. WILKINS. Yes. So WCB, of course, are the program owners of each of the four main universal service programs. Everything from policy development to administration of policies, everything from rules to appeals, sort of all of the day-to-day operations of the program in the legal sense.

Mr. WALDEN. And is any of that money going to the International Bureau, and if so, for what purpose and what kind of work do they do?

Mr. WILKINS. No. That should not go to the International Bureau unless I am missing some small detail, but no.

Mr. WALDEN. All right.

Mr. WILKINS. It is definitely intended to focus on activities related to USF.

Mr. WALDEN. And is any of that money going to the Office of Legislation Affairs? There are other bureaus and offices that are slated to get some of this money, correct?

Mr. WILKINS. No. Just more broadly, we developed that \$25 million figure based on the amount of activities related to USF across the commission, and it is all activities, it is not just—

Mr. WALDEN. Right.

Mr. WILKINS [continuing]. Audits, for example. A very small portion of that, if there was leg. affairs work-related to USF communications with Congress, for example—

Mr. WALDEN. Right.

Mr. WILKINS [continuing]. I think we would include that. The idea was to fully capture the costs related to USF work.

Mr. WALDEN. All right. I have a couple of other issues for the record that I will add to that, but my time has expired. And again, I thank you for your testimony and the good work you do.

And now, I would recognize the gentlelady from California, Ms. Eshoo.

Ms. ESHOO. Thank you, Mr. Chairman, and thank you again for having this hearing. It is always an important one, and our oversight is just essential. It is one of the major responsibilities that we have in the Congress.

And, Mr. Wilkins, you are a terrific testifier.

Mr. WILKINS. Thank you.

Mr. ESHOO. You were brief in your opening statement, you didn't have to read anything, you are smart, you know the agency, and it is very helpful to us because you give very direct answers.

You testified that the FCC plans a net reduction of 37 full-time employees for fiscal year 2016. We know that agencies can essentially cook the books by reducing the number of full-time employees, but then hire them back as contractors. Is that anywhere near the case with the agency? Can we just dispense of this as something that is not going to take place? Can you assure us that it is not—

Mr. WILKINS. Yes.

Ms. ESHOO [continuing]. Going to?

Mr. WILKINS. Absolutely.

Ms. ESHOO. Well, that is good news.

I want to congratulate the agency on its recent efforts to crack-down on consumer billing fraud. Just last week, the FCC announced a \$9 million fine against a company that was illegally billing consumers, and switching their telephone company without the consent of the consumers. It makes me really wonder why people will do what they do. I guess they think they can get away with it, but it is an important function of the FCC.

So specifically, how does your budget request help the FCC continue this important consumer protection work?

Mr. WILKINS. Yes.

Ms. ESHOO. Where is that buried in the budget—

Mr. WILKINS. Sure.

Ms. ESHOO [continuing]. And do you know how much it is?

Mr. WILKINS. Well, the Enforcement Bureau is around 240 people right now—

Ms. ESHOO. Yes.

Mr. WILKINS [continuing]. But we are not projecting staff increases for any bureau including the Enforcement Bureau.

Ms. ESHOO. Yes.

Mr. WILKINS. The Enforcement Bureau, actually, is a great example of how our IT actually can enable more effective use of the people that we have.

Ms. ESHOO. Yes.

Mr. WILKINS. And it actually relates to process reform. Process reform in my office is an internal support exercise. Interestingly, the Enforcement Bureau is the first large bureau at the commission that has, what I would call, a real tracking system of how they do work. That was put in place in 2012.

Ms. ESHOO. Yes.

Mr. WILKINS. We have a new bureau chief there who, I can tell you, is very aggressively using that sort of metrics to make sure he is deploying his staff on them most important areas, such as the ones that you mentioned.

Ms. ESHOO. Yes.

Mr. WILKINS. So the way we think about it is, we don't need to add dozens of people to any given bureau to deliver those results. We think we have very good people, we just want to use them more efficiently—

Ms. ESHOO. Yes.

Mr. WILKINS [continuing]. And we see a lot of opportunities for the IT to do that.

Ms. ESHOO. Right.

Ms. ESHOO. On the whole issue of IT, I think the chairman raised this, you mentioned it in your opening statement, my experience in Congress, both on this committee and as a member of the Intelligence Committee, is that the government is really lousy when it comes to procurement of IT. People don't know what they are buying.

Mr. WILKINS. Yes.

Ms. ESHOO. And I mean you can have a GS-14 and they may know the agency really well, but they really don't know what they are buying. People can sell them just about anything. A lot of taxpayer dollars wasted.

My question to you is, and you started to mention a part of this is, what you plan to purchase relative to the IT system to make it robust and 21st century and effective, and all of that. Is this being built for you, or is it off-the-shelf?

Mr. WILKINS. Right. Off-the-shelf.

Ms. ESHOO. Great. That is the best answer you could have given me. Nothing to pursue there. That was just what I wanted to hear.

On the AWS-3 auction, and the near \$45 billion that it raised, we were very specific about where those dollars were to be applied. What I would like to know is when will these funds be available for obligation?

Mr. WILKINS. OK. So we have over \$40 billion in our FCC accounted treasury—

Ms. ESHOO. Yes.

Mr. WILKINS [continuing]. For the close of the auction. There is the usual post-auction—any disputes, all issues have to be resolved. The licenses then can be issued by the Wireless Bureau—

Ms. ESHOO. Yes.

Mr. WILKINS [continuing]. And then the money can flow to—

Ms. ESHOO. So when do you think that money will be obligated?

Mr. WILKINS. Congresswoman, I can't give you an estimate, all I can say is we are working on it as fast as we can. We know—

Ms. ESHOO. No, but I mean do you think it is going to be in a year or 6 months, or just some ballpark.

Mr. WILKINS. I think that the ballpark, it is within a year—

Ms. ESHOO. Yes.

Mr. WILKINS [continuing]. But in this case, obviously, it is a very high dollar auction, lots of questions—

Ms. ESHOO. Right.

Mr. WILKINS [continuing]. All I can say is we will move as quickly as we can.

Ms. ESHOO. OK. There has been a lot of attention given to the need for enhanced location accuracy when calling 911 from a wireless phone. Many landline phones in large office buildings still only provide the building's address. Where is the FCC on this? If you had to make a 911 call—

Mr. WILKINS. Internally?

Ms. ESHOO [continuing]. Yes. Tell me how it would work.

Mr. WILKINS. So—

Ms. ESHOO. Is it going to work or—

Mr. WILKINS. Yes.

Ms. ESHOO [continuing]. Is it in the works that it is going to work, or—

Mr. WILKINS. If 911 is called within our facilities, we can identify where in the building the call came from. That is an issue in and of itself; is it eighth floor, fifth floor, wherever. So we have a process where our security team knows when the call goes out, it goes through to first responders, but then we also—

Ms. ESHOO. Well, I know what the process is with first responders and all that, but—

VOICE. You dial 911.

Ms. ESHOO. Yes, exactly. You dial 911, but I want to know what happens after that. Does the first responders, do they have the granular location information—

Mr. WILKINS. Yes, our—

Ms. ESHOO [continuing]. Do callers need to dial an extra 9 before the 911?

Mr. WILKINS. Yes. Our system, we do dial the extra 9. So we are 9911.

Ms. ESHOO. Are you going to fix that?

Mr. WILKINS. We service a lot of agencies. There is a—

Ms. ESHOO. Are you going to get rid of the 9?

Mr. WILKINS. There are mixed practices out there. And then in terms of location, our security team knows where in the building the call came from, both tells responders and then also delivers our folks there.

Ms. ESHOO. Yes, well, you are really not behind the 8 ball on this. That really needs to be upgraded, and especially that it is the FCC. You should be the example, not only for the rest of the Federal Government, but for the entire country, so you need to work on that.

My time is up, Mr. Chairman. Thank you.

Mr. WALDEN. You are welcome.

Ms. ESHOO. Thank you, Mr. Wilkins.

Mr. WALDEN. Thank you, Mr. Wilkins.

We will now turn to the vice chair of the subcommittee, Mr. Latta.

Mr. LATTA. Thank you, Mr. Chairman. Again, Mr. Wilkins, thanks very much for being here, and thanks for your testimony.

The Inspector General is required to conduct audits of the commission's financial statements. Did the IG audit the commission's fiscal year 2014 financial statements?

Mr. WILKINS. Yes.

Mr. LATTA. Did the audit report a material weakness with regard to the Universal Service Fund?

Mr. WILKINS. Yes.

Mr. LATTA. Could you describe what those weaknesses were or are?

Mr. WILKINS. Yes. It was a specific material weakness that related to the way USAC, or the Universal Service Administrative Company, reconciled its invoice amounts against obligated funds. It specifically related to the extent of the invoice deadlines in a particular year, and their systems didn't automatically report back to their obligation system. They actually found the problem. We were aware of it before the auditors came in, of course. We told the auditors. So the auditors, quite appropriately, said this is a problem to fix, but no money was lost, it actually was a management step that was identified.

Mr. LATTA. So there was no impact on any monies out there?

Mr. WILKINS. No. No money was lost.

Mr. LATTA. OK. And did you say has this weakness been corrected and identified?

Mr. WILKINS. Yes.

Mr. LATTA. OK.

Mr. WILKINS. Yes.

Mr. LATTA. And how far back did that go?

Mr. WILKINS. That was just from 1 year because they changed the invoice system for 1 year.

Mr. LATTA. OK. And also, I guess to follow up on that, is this the same issue that we discussed during your last visit here, and is it associated with any new financial system?

Mr. WILKINS. No, that is our FCC genesis system. This issue you are raising was at USAC, which is a separate—

Mr. LATTA. OK, and who is the contractor?

Mr. WILKINS. For our system?

Mr. LATTA. Right.

Mr. WILKINS. A company called CGI.

Mr. LATTA. CGI, OK, thank you. And again, in fiscal year 2016, the budget request, it states that the commission is in the process of creating a Joint USF Antifraud Taskforce to combine resources agency-wide.

Mr. WILKINS. Yes.

Mr. LATTA. And I appreciate the effort for a more targeted approach to identify and prevent fraudulent activities within USF, however, the agency has requested \$10 million for antifraud efforts within USF. How was this amount determined for the \$10 million?

Mr. WILKINS. Right. So we think that the need to have that joint effort is very important. What we are doing though is redeploying resources we have to staff it, whereas a year ago we said actually give us more money to hire more people. And I think it is an example of a year in there as the senior management team looking very hard at the people we have and where we can be more efficient, we said let us use the FTEs we have to do this work, instead of asking for more.

Mr. LATTA. OK. And could you give a specific breakdown of that cost, for that \$10 million?

Mr. WILKINS. Yes, so in 2015 we requested \$10.8 million for 45 FTEs, I believe the breakdown was 17 for the Enforcement Bureau, I want to say 20 for the Wireline Competition Bureau, another 10 for my office, and the rest for the IG, I believe. I might be off by one or two, but that was the rough breakdown. We are not going to have that high of a staffing level so, for example, instead of those 17 for the Enforcement Bureau, right now that USF enforcement component of the Enforcement Bureau, it was five people, and those are roles that we have filled as people have left. So the group will not be as big, but as we have the opportunity to reallocate resources we have, we think we will staff that up because we are seeing lots of benefits from what we are doing.

Mr. LATTA. OK. Well, and additionally, how much of the money is expected to be recovered through taxes of the taskforce and other antifraud measures?

Mr. WILKINS. Well, certainly, and I think the IG would agree with this too, \$1 of enforcement or oversight in USF tends to generate positive, more than \$1 of returns from those activities. Certainly, our reason for creating that effort is because universal service, all those programs have been going through lots of change over the last 2 or 3 years, essentially around modernizing it for broadband. When you do that, the rules change. Simple compliance can be harder for people to participate in it because the rules are different. Obviously, USF—and sometimes you have criminal or fraud issues, but frankly, compliance with the rules is an important issue for us. Our rules say if you don't comply with them, you shouldn't get the money. And that is the kind of thing that we are really focusing on internally is making sure that there is compliance as the rules change so that the money goes where it should go.

Mr. LATTA. OK. And the commission has also, as mentioned earlier, is requesting over \$44 million to move to a new headquarters or for restacking. The budget request states that by moving or re-



stacking FCC headquarters, this process would save the commission up to \$119 million over 15 years. Can you explain how the commission reached that estimate of \$119 million over the timeline of 15 years?

Mr. WILKINS. Yes. So our current fully-loaded lease costs to remain at headquarters is around \$40 million, \$41 million. The space planning that we are doing already with GSA, essentially to bring us, I would say, just in line with current federal guidelines, we would be reducing that space by around 30 percent. And I think GSA—obviously, we are customers of GSA in this process. They would also propose probably a lower per square foot. So essentially, the idea would be for our lease costs to go down by \$11 million to \$12 million a year over 15 years. You deduct from that though the, for example, the \$51 million we are requesting now to facilitate that move, and the net would be \$119 million over the 15 years.

Mr. LATTA. OK. Thank you, Mr. Chairman. And my time has expired, and I yield back.

Mr. WALDEN. Thank the gentleman.

Now recognize the ranking member of the full committee, Mr. Pallone, for questions.

Mr. PALLONE. Thank you.

Mr. Wilkins, I—Ms. Eshoo started—was talking about this issue, but I wanted to follow up. I am very concerned about consumers being hit with fraudulent charges on their monthly communication bills through scams like cramming. And the FCC has made strides over the past year trying to curb this practice, but the question is if the FCC's budget continues to flat line the way it has since 2009, will it impact the FCC's ability to protect consumers from fraud?

Mr. WILKINS. Yes. If we continue to be flatlined, it will impact our ability to delivery all areas of our mission. I think our current budget proposal that we can make do with fewer people is based on having much better IT to use those people much more efficiently. And in the consumer enforcement area you are describing, for example, there is a huge opportunity to use data and analytics, using IT to be much smarter about finding areas that we then go focus the resources we have instead of just, perhaps, waiting for someone to complain. So that is the opportunity we see, but it does require the investment. I mean if we are flat lined, there is no way we can make the investments nearly as promptly as we want to. And I would actually add, if we are flat lined for '16, in the sense of not being able to fund those move costs, that money is going to come from somewhere. I mean our lease, after 2017, goes up by \$9 million a year, and nothing else changes, someone has to pay that. I mean there really is kind of a downward spiral around this move that, everything else aside, really would affect our ability to fund anything at a reasonable level.

Mr. PALLONE. OK. I think you have answered in your response the other two questions I had, but let me just look at this a second. Again, you talked about the aging computer system that, I guess, will eventually slow down your ability to continue these reform efforts. I think you have answered that in terms of what happens if you don't because that is where the bulk of this additional money goes to, correct?

Mr. WILKINS. Yes. I think right now, our cost profile for IT continues to grow because the cost of maintaining things that are older and older grows every year. And when I was here in September, I testified that over ½ our systems are more than 10 years old in terms of software, and the software, well, that might as well be 100 years, right? The cost to do a software update for something that was installed in 2004 is astronomical because almost no one else does it. And so it is really that treadmill; if you don't invest to get off the treadmill, it just goes faster and faster, and you run faster and faster, and you don't get anywhere and you are just spending more money to essentially, you know, deliver the same or worse.

Mr. PALLONE. And I think you talked about the staff too, that the FCC has a historically low number of full-time staff, and whether any further reduction in the number of full-time staff would impact your ability to carry out your responsibilities. I think you kind of answered that too, but if you want to add anything.

Mr. WILKINS. We think with sufficient IT support, the staffing level we propose in '16 lets us do everything Congress needs us to do.

Mr. PALLONE. OK. All right, thanks a lot.

Thank you, Mr. Chairman.

Mr. WALDEN. Thank you very much. The gentleman yields back.

And the chair now recognizes the gentleman from Illinois, Mr. Shimkus, for 5 minutes.

Mr. SHIMKUS. Thank you. Mr. Wilkins, welcome. It is good to have you back.

Ranking Member Eshoo talked about the 9911 issue, but Commissioner O'Reilly in a blog post said that it is a simple programming change. And the first question—and this is for, obviously, the facility which you are operating out of. Is that your understanding, and did you give him that information as far as the headquarters itself?

Mr. WILKINS. Yes. So it would be a programming change for our voice-over IP phone system. It would cost some money. Depends on if we just did it for our main headquarters facility, or went to all of our remote locations. Actually hearing the committee's interest and concern in that, I would be very glad to go back and talk again with my IT team and see what else we can do.

I will say that having looked at it, the one question that we had for management is, the people that use our phones are our internal people; we don't have members of the public back in our offices, and at some level, they are used to dialing 9 to get out. And so we will—

Mr. SHIMKUS. Yes. Yes. I guess I would only say, you may have guessed, obviously, a lot of people who are outsiders come into the—

Mr. WILKINS. Yes.

Mr. SHIMKUS [continuing]. FCC to have meetings, you may have bring your kid to work day—

Mr. WILKINS. Yes.

Mr. SHIMKUS [continuing]. These are really terrible stories that—

Mr. WILKINS. We will be very glad to go back and—

Mr. SHIMKUS. And really governments should try to lead as much as possible in doing this, and if it is a simple programming then we can tell other entities that, hey, it is a simple programming issue, and it may cost a little bit but the return on investment over time, just for you all leading by example, could be very helpful.

Mr. WILKINS. OK.

Mr. SHIMKUS. I would like to then go to a question on, last time we had talked about your—talking about the internal reporting processes for auction-related expenditures—

Mr. WILKINS. Yes.

Mr. SHIMKUS [continuing]. And reviewing the use of auction funds and IT. Have you completed this review?

Mr. WILKINS. Yes. And so I think—my QFRs or one of our document requests to this committee last year, we specifically broke out—wherever we can, we do direct accounting. So a person who works on auctions, they literally do their timecode and say I worked on auctions. And wherever we can, we do that. An IT contract that is for the new auctions platform, obviously goes to auctions.

Around \$55 million of our current auction spending is directly accounted for.

Mr. SHIMKUS. Can you provide that stuff to us?

Mr. WILKINS. Yes. Yes, we will—

Mr. SHIMKUS. And the other follow-up—and you are providing an audit of these responses and reviews, on the accuracy? Are you—

Mr. WILKINS. We are certainly doing ongoing review to make sure those costs are accurately reflected.

Mr. SHIMKUS. And can you provide us some of the ongoing review and—

Mr. WILKINS. Sure. We will be glad to provide all the information.

Mr. SHIMKUS. And, I am sorry I am going fast. I want to get to the last one. You are also requesting \$3 million for the ongoing maintenance, improvement costs for the broadband map. As many of us know on the subcommittee, who have been here for a while, NTIA funded the map through Recovery Act funds or stimulus funds. That is correct. Those funds were exhausted, so last year FCC became responsible for its cost. So we are trying to figure out how that happened. How did we go from NTIA, an agency of the Department of Commerce, now where the FCC kind of took control of this, and then we are trying—the other question is who made that decision?

Mr. WILKINS. So as you said, NTIA got the funding in the Recovery Act, because the FCC has expertise in it, lot of our processes obviously involve collecting broadband data, NTIA set up an inter-agency contract to fund us to actually do the IT systems, and that was the practice until their funding went away. So the idea of transferring it to us, I wouldn't say it was like a preordained it transferred to the FCC, it is more of de facto we run it, they can't fund it anymore. We have found it to be a valuable policy tool and we would like to keep funding it, but, as you said, it was not funded last year, and right now it is on hold. I mean we are actually not investing money to keep upgrading it or operating it in any kind of real way.

Mr. SHIMKUS. But it didn't rise to the level of a, you know, the commission actually making a decision or the chairman saying we are going to do this, was this done just internally kind of by default?

Mr. WILKINS. Right. It was——

Mr. SHIMKUS. You got handed the ball and you are——

Mr. WILKINS. Yes, well, it was the kind of thing where agencies can collaborate on—NTIA had some money, we had some expertise, we did the arrangement, set it up that way, and it worked pretty well while they had the funding. And now we have to figure out if we want to maintain it, where the funding comes from.

Mr. SHIMKUS. OK. Chairman, my time is over. Thank you very much. Thank you, Mr. Wilkins.

Mr. LATTA [presiding]. The gentleman yields back.

The chair now recognizes the gentlelady from New York, Ms. Clarke, for 5 minutes.

Ms. CLARKE. Thank you, Mr. Chairman. And I thank our ranking member. I thank Mr. Wilkins for coming today to share information with us.

I am a new member to this committee, and wanted to just ask a couple of questions; one is somewhat parochial. I was visited by my local regional broadcasters just recently, and they raised a concern about regional office staffing, particularly in the New York region, some concerns about radio piracy, and I was wondering whether you have considered looking at these regional offices and the staffing levels, and the concerns that these regions have, whether you would be addressing that in this budget, and whether there is a line item specific to those regional offices?

Mr. WILKINS. Thank you for that question. So one of the activities we are now undertaking with our most recent budget being less than we asked for, is a systematic review of all of our people, all of our offices, to find out how we can most efficiently deploy with the resources we have. So we are actively looking at that. It is not a line item in our budget necessarily——

Ms. CLARKE. Yes.

Mr. WILKINS [continuing]. But we are definitely looking into staffing levels in offices like New York, and trying to make sure we are making the best use of the people and the money that we have.

Ms. CLARKE. Just wondering, do you look at perhaps activities nationally, and then look at allocation of staff based on, you may have a larger problem, say, in a place like New York——

Mr. WILKINS. Sure.

Ms. CLARKE [continuing]. Than you may have in other parts of the country, whether it is appropriate to shift staff according to need?

Mr. WILKINS. Yes, I would agree. So the only way that we can, especially in that field part of the FCC, the only way we can manage is to find out where is the highest density of need, and how can we deploy the people and the resources we have against that. So that is absolutely the principle that we are using as we are doing this review right now.

Ms. CLARKE. Very well. Immediately upon taking office, Chairman Wheeler identified FCC process reform as a priority. An intra-agency staff working group produced the report on the FCC process

reform. What progress has been made to implement the recommendations in that report, and could you please explain what other steps the commission has taken to improve the FCC's process?

Mr. WILKINS. Thank you for that question. That is a very important priority for the chairman. My office is responsible for, I would describe as the internal process reform steps. There is a separate set of issues around how the commissioners operate that my office doesn't really play a role in. I will give you a couple of examples. There are a lot of things on the internal process reform report around improving transparency and using metrics to better manage our internal resources. One thing that we just completed, with my office as the main implementer, was a new system for consumers to register complaints with the commission. We have a new online system, it is a Web site. You have a problem related to your phone bills or any other FCC issue, it is actually much easier for you as an individual to go and make that complaint. The process reform angle is we now have a much easier way to track those things, to figure out is the backlog or the volume going up or down in given areas, be more transparent about it and manage our resources better. So that is one example. And I would just emphasize that the IT investments that we want to make here, that we have talked about so far in the hearing, are overwhelmingly about having that model be used in many other areas for process reform improvement, and that is why the chairman is on my back to make sure we get the IT right.

Ms. CLARKE. Very well. And as you know, FCC licenses pay the cost associated with the FCC's operations. It is, therefore, critical for the FCC to ensure that its regulatory fees are assessed in a fair and equitable fashion. Can you explain the FCC's efforts to ensure fairness in the regulatory fee structure?

Mr. WILKINS. Yes, and let me answer that with two examples. My office actually does the fee proceedings. We just completed one last year where we tried to make at least a few areas better. So for example, we set a new de minimis standard where a very small business, under the old formula, may have had to pay us a few hundred dollars and, frankly, spend more money on lawyers and filing costs than the money, we just exempted them. So trying to make it just less of a burden.

This also is the USF proposal in our current budget. It is specifically designed so that the parts of the industry that are involved in USF are the ones who would support those activities of the commission, and the ones who aren't involved in USF would not. Under our current model, I mean a broadcaster is a good example, broadcasters don't have anything to do with USF. Part of the regulatory fee a broadcaster pays does, in our current model, go to basically pay for our USF activities. And given that our costs will go up because of the move for a year or two, we just thought this was the exact right time to propose that alignment so that the people that pay fees, that sort of pay for things that relate to their business or their activity.

Ms. CLARKE. Thank you very much.

Mr. Chairman, I yield back.

Mr. LATTA. The gentlelady yields back.

And the chair now recognizes the gentleman from New Jersey, Mr. Lance, for 5 minutes.

Mr. LANCE. Thank you, Mr. Chairman. And good morning to you, Mr. Wilkins.

The FCC makes a one-time request of \$51 million for restacking, and is this similar—for move or restacking. Are a move or restacking equivalent, and which of the two would be less costly?

Mr. WILKINS. Right. Certainly. So we always use move or restacking because, certainly, our current landlord is eligible to bid to retain our lease, and so the restacking would be we would stay at the current facility but in smaller space. So we would collapse and literally restack where the offices were laid out. And so I think it is important from the GSA perspective that we maintain as much competition for our lease as possible, so we always maintain that.

The \$51 million budget request certainly applies to either one of those, because really what that pays for, it pays for internal construction, walls, and these are not exciting things but they are necessary things. So the furniture, and even if we restacked our current location, you would change the footprint because you are going to smaller offices, et cetera. And we are committed to those—I mean we are committed and, frankly, GSA is going to make sure we are committed to those lower lease costs in the long term as we talked about.

Mr. LANCE. Are these competitively bid, or to the lowest responsible bidder, or—

Mr. WILKINS. Right. So Congress has to first approve a prospectus. That hopefully will be coming from OMB relatively soon. And then an RFP goes out to commercial lessors for the period of several months, and people look at our requirements, how much space, other things, and there is a competitive bidding process that GSA runs and, you know, we try to get the best deal for the taxpayer.

Mr. LANCE. Well, thank you. At your convenience, we would appreciate if you would provide us with a list of the awardees. And—

Mr. WILKINS. Certainly.

Mr. LANCE. We appreciate that, thank you. The budget request includes \$2.4 million to engage an administrator to manage the Broadcast Relocation Fund.

Mr. WILKINS. Yes.

Mr. LANCE. Is this going to be awarded through a competitive bidding process—

Mr. WILKINS. Yes.

Mr. LANCE [continuing]. As well?

Mr. WILKINS. Yes.

Mr. LANCE. Thank you. That ends my question. Anybody on our side wants the balance of my time?

Mr. LATTA. I believe the gentleman yields back.

Mr. LANCE. I will yield back.

Mr. LATTA. Thank you very much.

And the chair now recognizes the gentleman from New York for 5 minutes, Mr. Collins.

Mr. COLLINS. See if this is working. It wasn't last week. Thank you, Mr. Wilkins.

I will begin one real quick question on the rural broadband map.

Mr. WILKINS. Yes.

Mr. COLLINS. I represent some very rural counties, and you currently use, if I understand, like the 9-digit zip code. In these counties, your 9-digit zip code is showing as much as 97 percent coverage. The counties knew that was wrong. They did their own in-depth study. It is under 50 percent. So I am assuming you are aware of the shortcomings in that, and is that what you are trying to address so we can actually get a number?

Mr. WILKINS. Right. Yes, right, the use of the broadband map is a tool exactly to facilitate that kind of input and two-way dialogue, because you are right, in universal service, for example, we are deploying millions of dollars and it really is supposed to be where it is most needed.

Mr. COLLINS. Where it is needed, which is our counties, and they are not getting it because of the 9-digit zip code——

Mr. WILKINS. Exactly.

Mr. COLLINS [continuing]. Methodology.

Mr. WILKINS. Exactly. And so the broadband map has been used, and our hope is to use it as a tool just to make that easy, because it is one thing to have some complicated data set to look at, it is another thing to see a map of your county which you know——

Mr. COLLINS. Is wrong.

Mr. WILKINS [continuing]. See what the FCC thinks is right or wrong, and if it is wrong, to be able to tell us.

Mr. COLLINS. I think all of us in this day and age would appreciate the more accurate you can get it, the funds can go where they actually are needed, which is many of the rural counties.

So couple of questions on the budget. That is what I have spent my life doing, both as a county executive in the largest upstate county of New York, where I implemented Lean Six Sigma for the first time in a large municipal government. We had over 5,000 employees. I cut 22 percent of the workforce, improved efficiency, improved delivery of service, and those cuts saved \$100 million a year. So in budgeting, there are two ways of looking at it. Let us flat line and add to, and then there is zero-based. And just first question, are you familiar with Lean Six Sigma, have you looked at it, because as a generality, you can reduce your workforce 22 percent.

Mr. WILKINS. Yes.

Mr. COLLINS. I did it and actually improved service.

Mr. WILKINS. Yes. I am familiar with Six Sigma. I can tell you that in my budget discussion with Chairman Wheeler, you know, he and I are both relatively new to the government, from the private sector, and I am familiar with zero-based budgeting. Certainly, Chairman Wheeler's instructions to me are to find ways to be as efficient as possible. You know, in the federal context, you know, restructuring your workforce takes more time and energy because there are a number of constraints, and actually what we are——

Mr. COLLINS. Well, and I had a unionized workforce.

Mr. WILKINS. Well, and what we are doing now though is consistent with those obligations that we have to follow, how can we most effectively restructure.

Mr. COLLINS. So would it make any sense, and I have done this so—to pick a department, to pick a unit that has—I mean you might even think some areas where efficiencies would be—and try to—I am assuming you have never really tried it. You have never brought in master black belts, you have never process mapped, is that—

Mr. WILKINS. So we are doing some of that work now. I mean we are—in some of our areas we are doing—

Mr. COLLINS. But using the skill set of Lean Six Sigma, or is it just—

Mr. WILKINS. Well, not Six Sigma specifically, but using tracking information we have and doing more of a zero-based exercise of—

Mr. COLLINS. If—

Mr. WILKINS [continuing]. What does it really take to do the work that is being—

Mr. COLLINS. I would love to see if you could provide me just some examples. That is my background.

Mr. WILKINS. Sure. Be glad do.

Mr. COLLINS. And perhaps even encourage you to consider, even on a satellite basis or some small basis, try it and then it can catch on, and the savings can just be dramatic.

Mr. WILKINS. We agree.

Mr. COLLINS. It is not normally the way government works.

Mr. WILKINS. Agreed.

Mr. COLLINS. So another comment, and I am not going to try and trick you here, but you implied that because 8 cents in your budget brought in \$1. You said that. Number one, I would say you are kind of taking undue credit for the wildly successful spectrum audit that far exceeded your estimates. And so kind of a rhetorical question, if we increased your budget \$10 million, could you guarantee us \$120 million coming back in on top of your current budget? Or if I gave you \$100 million, could you guarantee us \$1.2 billion coming back?

Mr. WILKINS. No, I wouldn't want to say that. I would emphasize—

Mr. COLLINS. I didn't think so.

Mr. WILKINS [continuing]. Thought that when spectrum auctions were created in the mid-'90s, I don't think anyone expected it would lead to the—

Mr. COLLINS. Well, my point is, I understand how you did the numbers—

Mr. WILKINS. Yes.

Mr. COLLINS [continuing]. But in fairness to us, I think you are trying to take credit for some things that were outside of your scope, and I know that is a good thing to do but—

Mr. WILKINS. Well, our auction staff does do that work. I mean that money comes from somewhere. It is because there is an auction staff that runs those auctions.

Mr. COLLINS. So if we increased your budget by \$10 million, could you give us another \$120 million—

Mr. WILKINS. Well—



Mr. COLLINS [continuing]. Coming back?

Mr. WILKINS. I think that the recent increases for our auction—

Mr. COLLINS. No, no, no, on top of your current budget—

Mr. WILKINS. Well, I think for auctions, the \$11 million that we are requesting for our auctions fund probably will generate more than \$100 million from the—

Mr. COLLINS. No, but if I gave you 10 on top of that, could you give us another—so if we give you 20, can you give us 240?

Mr. WILKINS. No, no, clearly, clearly, there is a limiting principle—

Mr. COLLINS. OK. Well, I only bring that up because you were a little self-serving on that one.

Mr. WILKINS. OK.

Mr. COLLINS. OK.

Mr. WILKINS. That is fair.

Mr. COLLINS. Thank you, Mr. Chairman. Yield back.

Mr. LATTA. Thank you very much. The gentleman yields back.

And at this time, the chair recognizes the gentleman from North Dakota, Mr. Cramer, for 5 minutes.

Mr. CRAMER. Thank you, Mr. Chairman. Thank you, Mr. Wilkins, for being here. Thank you for your—you are very knowledgeable and it is great to have a witness that is both knowledgeable and forthcoming.

I want to just follow up a little bit on where I think Mr. Lance was going, and maybe expand it a little, and Ms. Eshoo as well. I appreciated your answer to her with regard to, you know, contractors or, you know, former employees coming back as contractors, and that was a good answer. But I am missing detail I think when I look at the budget request, and I would just say it could be very helpful for us, and give us sense of confidence if we could get more details about not just the \$44.1 million, for the moving and stacking, which I think is a large amount, and I wish I had a local moving company to bid on it, but the \$32 million in addition to that is pretty vague, to say the least, and I would just really want to encourage you, first of all, if you can explain that a little bit, but then provide us some detail, again, you know, before the chairman and the commissioners visit here.

Mr. WILKINS. OK. Absolutely.

Mr. CRAMER. That would be very helpful.

Mr. WILKINS. Would you like me to—I can—

Mr. CRAMER. Please.

Mr. WILKINS [continuing]. Say a little more?

Mr. CRAMER. Yes, please.

Mr. WILKINS. So on the move costs, it is \$51 million that is just in our budget request.

Mr. CRAMER. Right.

Mr. WILKINS. It is split as our usual practice between auctions and non-auctions.

Mr. CRAMER. Right.

Mr. WILKINS. \$51 million. That would be the first of two fiscal years where some of that spending is required. The total estimate we are getting from GSA is closer to about \$80 million, so \$50 million would be the larger chunk.

Just to give you some context, for the amount of square feet that we are talking about for our new lease, that would be about \$175 per square foot, fully loaded, for everything from walls and furniture to the cost to move the stuff. That compares to, let us see, GSA gave us three examples, NIH and NLRB both recently did moves that were \$206 a square foot, so we are a little lower than that. Recently, the FTC, which is sort of a similar agency to us in terms of—

Mr. CRAMER. Sure.

Mr. WILKINS [continuing]. People, moved about half as many people, it wasn't their full staff, it was a part of their staff, about 900 people, total was \$75 million over several fiscal years. They had some different issues going on, but again, we are talking about a similar amount of money for twice as many people. So I am not an expert in move costs, but from what GSA has told us, the numbers are pretty much in the range that they would typically do with a federal agency. The rest of the cost, so exactly as the chairman said, total is \$84 million, take 51 away from that for the move, that leaves you with 33. We have got \$4 million for the PSAP system and the broadband map, \$8 million in inflation and \$1 million for the IG. We could talk about any one of those, but those are kind of—

Mr. CRAMER. Sure.

Mr. WILKINS. Those are what they are. We are left with \$21 million of—we are left with \$15 million if you take the PSAP and broadband map out. So those are, as Congresswoman Eshoo said, that is to buy the off-the-shelf IT infrastructure, instead of having—I mean we literally have 200 giant servers like you would see in a movie from 20 years ago, sitting in very expensive real estate over here on 12th Street.

Mr. CRAMER. Yes.

Mr. WILKINS. I mean that is not how you do IT, certainly in the private sector, and you shouldn't in the public sector now either. So we have a—literally, a truck is going to show up to the FCC in a couple of weeks and take those suckers out to West Virginia. And that is the first step to going to a true cloud environment which, for storage and your basic servers, is just the way to do it. So that is what those costs are, and we will be glad to give staff follow-up on all of the specifics of those contracts.

Mr. CRAMER. I would be helpful, just because, obviously, details are—and information keeps the imagination from getting too far astray, if you know what I mean.

I don't have anything else, but thank you. I yield back.

Mr. LATTA. Thank you very much. The gentleman yields back.

The chair now recognizes the gentleman from Ohio, Mr. Johnson, for 5 minutes.

Mr. JOHNSON. Thank you very much, Mr. Chairman. And, Mr. Wilkins, thank you for being here today.

You have requested \$25 million out of the USF fund to reimburse the agency for costs of oversight administration of the fund, with \$10 million of this amount going to the creation of the Joint USF Antifraud Taskforce. Do you expect the fund for USF oversight administration to be a one-time disbursement, or do you expect this to be an ongoing effort?

Mr. WILKINS. Right. So we certainly would, if that was granted in '17, then we would have to, in fact, resubmit it and it would be reapproved by Congress, if it was approved. I get—

Mr. JOHNSON. So it is ongoing, am I understanding that—

Mr. WILKINS. Well, I really think it is obviously Congress' decision, and it is just about this issue of fee-ness to the fee payers.

Mr. JOHNSON. Yes.

Mr. WILKINS. And to be clear, the money is the money. Right? In other words, those are people that we largely have today. We may be reallocating some of our current workforce to that on the margin, but those are costs that are right now being paid by our fee payers. Out Section 9 fees, they pay it.

Mr. JOHNSON. What—

Mr. WILKINS. That is not going to change a lot.

Mr. JOHNSON. What is that money going to be used for? The budget request says salaries and IT. Is it going to pay salaries—

Mr. WILKINS. No.

Mr. JOHNSON [continuing]. IT or both?

Mr. WILKINS. No, IT, that is a mistake if that is what it says. It is just for the salary and expenses for the people who do USF work at the commission.

Mr. JOHNSON. Prior to this request, how did the agency fund these costs?

Mr. WILKINS. Out of our regular Section 9 regulatory fees.

Mr. JOHNSON. OK. The FCC acknowledges that it has collected just over \$90 million in excess regulatory fees, so will the commission or the Administration, as was called for in GAO's 2012 report to Congress, titled Federal Communications Commission regulatory fee process needs to be updated, will they provide Congress with a proposal to true-up these fees so as to avoid continued growth of the uncollected funds?

Mr. WILKINS. Well—

Mr. JOHNSON. Over-collected funds, I am sorry.

Mr. WILKINS. Sure. I mean it certainly does strike us as a burden on our fee pays, and I would love to have the money, but that is sort of the—it is outside the FCC's control. That is certainly something for the Administration to work with Congress on what to do with those funds.

Mr. JOHNSON. All right. As you also know, Mr. Wilkins, the FCC is well aware of the legal challenges ahead once the Order is released. There may be reconsideration requests filed at the commission, Motions for a Stay of the Order, and appeals of the Order that could go all the way to the Supreme Court. Has the FCC budgeted and estimated the potential resources needed and costs of the litigation for this year's budget request?

Mr. WILKINS. Yes. So I can—so with regard to open Internet issues, my office—I am the budget—I am the green eyeshade guy, not the policy guy. I can tell you unequivocally we do not have a current plan to add more resources to say Wireline Competition Bureau or the General Counsel's Office. I mean this is certainly an important issue that will take staff work, but in terms of my staffing discussions with those office and bureau heads, it is not different than, I would say, the usual large important issues that

those staff support. So there is no increase in this budget, for example, to support that activity.

Mr. JOHNSON. OK. Litigating the Title II Order will not be costless though. Do you agree that is fair to say?

Mr. WILKINS. Certainly. Yes. Yes.

Mr. JOHNSON. Has the commission projected how much the cost will be for 2016, '17, '18 and '19? You may have just answered that. You haven't projected that out?

Mr. WILKINS. No. Our current budget assumes that the litigation support that we have in the General Counsel's Office, for example, will be able to handle that. Now, if the office chiefs change their minds on that, they would bring it to me, but right now that is our plan.

Mr. JOHNSON. OK. One final question, and if you would please for the sake of time, just a simple yes or no. Wouldn't the commission have saved a significant amount of money if it had let Congress legislate on net neutrality instead of moving forward with an ill-fated Title II Order that it knows is going to be litigated for years?

Mr. WILKINS. No.

Mr. JOHNSON. No. Why? Why do you say no? Cost of litigation? Because you just said that it was going to be——

Mr. WILKINS. Well——

Mr. JOHNSON. The cost of litigation was not going to be negligible, so——

Mr. WILKINS. Well, our bureaus and offices that deal with those sorts of issues, essentially, these are expert, experienced attorneys, or economists, or policy people, and this is their job. Any given year, we will have major litigation, we will have major issues, those offices are built to do that. And certainly——

Mr. JOHNSON. But that litigation is not free. That litigation is not free. The taxpayers are paying for that litigation, so the question is wouldn't it have been more prudent to let Congress work with the FCC to get a legislative fix to net neutrality, rather than spending taxpayer dollars to litigation something that they know is going to be litigated?

Mr. WILKINS. Well, Congressman, from my office's perspective, I can assure you there is no incremental budget requests that are being driven to support that. We have people who do that. Certainly, the prioritization question——

Mr. JOHNSON. But they don't do it for free, that is the point I am making. They don't do it for free.

Mr. WILKINS. No.

Mr. JOHNSON. If they weren't doing that, they would be doing other things that are meaningful and useful for the taxpayers, not litigating something that they could have precluded by working with Congress. Do you see what I am saying?

Mr. WILKINS. Certainly, the cost of the people to do that——

Mr. JOHNSON. OK.

Mr. WILKINS [continuing]. Will be——

Mr. JOHNSON. I yield back, Mr. Chairman.

Mr. LATTA. The gentleman yields back.

And the chair recognizes the gentleman from Kansas, Mr. Pompeo, for 5 minutes.

Mr. POMPEO. Thank you, Mr. Chairman.

Mr. Wilkins, you said in your testimony, "You are currently examining additional workforce restructuring at all FCC facilities." Can you tell me if that includes studying closing field offices?

Mr. WILKINS. We are doing a thorough review of actually every part of the commission, and certainly, the field is part of that review, yes.

Mr. POMPEO. And are you doing that internally or do you have third parties that have assisted you in conducting that review?

Mr. WILKINS. No, it is as Mr. Collins from New York said, we have brought in some management experts to support our internal staff in doing that review.

Mr. POMPEO. Have they provided you with reports?

Mr. WILKINS. We have been——

Mr. POMPEO. Drafts, memos, PowerPoint slides?

Mr. WILKINS. We do not have a final report yet. We have a final report quite soon actually that we would be glad to——

Mr. POMPEO. Do you have a draft report, do you have interim reports, do you have anything that you can share with us?

Mr. WILKINS. They have been sharing their analyses with us as we have been going along, and their final report is due, actually, next week.

Mr. POMPEO. Is there recommendation to close field offices?

Mr. WILKINS. They have made us good recommendations for how we can look at the people we have, the real estate costs we have, and deliver the mission better.

Mr. POMPEO. Right. I asked a direct question, you gave a generic response. Is there recommendation to close field offices for the FCC and relocate people to your headquarters?

Mr. WILKINS. In the interim analysis they have done, they have shown some cost-based ideas that could be consistent with that, but there is not a final recommendation yet.

Mr. POMPEO. And are these savings reflected in the budget that you have provided us?

Mr. WILKINS. No.

Mr. POMPEO. You said they could show some savings. You have seen the interim report, did you assume, yes, we are going to go down that path and——

Mr. WILKINS. Well——

Mr. POMPEO [continuing]. The budget includes it?

Mr. WILKINS. The answer is as our '16 budget request does presume, or does project, that our staffing levels drop, we are going to look at every possible area we can to most efficiently effect that. The default is people retire or leave the commission and we just don't replace them. And we are certainly looking at other areas where we can do other sorts of workforce changes, and absolutely not just in the Enforcement Bureau field and all across the commission, and that was the chairman's instruction to me when our budget came in where it did.

Mr. POMPEO. Sure, but my question is what did you do? You had interim reports, what did you assume for purposes of your budget? Did you assume there would be changes in the lease payments in the field offices, locality pay connected to that, there are lots of

changes, changes in—you might have had engineers there and you would have lawyers here——

Mr. WILKINS. Yes.

Mr. POMPEO [continuing]. Tell me what you assumed when you put the——

Mr. WILKINS. So our budget request, right, is for activities that will be taking more than the better part of a year in advance of when the budget is done.

Mr. POMPEO. Yes.

Mr. WILKINS. So when you are talking about that kind of a future view, all you can do is say we will spend less money on categories such as FTEs. Then, as Congress considers that, we have to view our management plan and say, OK, how are we best going to make that happen. Will it be through changes at certain bureaus, will it be through other savings? This type of analysis is certainly part of that process, but it was not a preordained, that is how we are going to pay for X. We just have to do the management work to find out where we save the money.

Mr. POMPEO. Right. It is just a bit disingenuous because it is not always the case that you just let folks go. Sometimes you let an engineer go and you bring a lawyer on, right? And so it is worth thinking about how you do that. It is not just a case that you used attrition, you have now made policy and programming differences that I think are important for us to understand. And I guess what I would ask you in closing is, when you get this report, it sounds like it will be in the next couple of days——

Mr. WILKINS. Yes.

Mr. POMPEO [continuing]. When you get a copy of this report, will you make sure we get a copy as well?

Mr. WILKINS. As we decide on what to do with those recommendations and other work we are doing, we absolutely will share it with——

Mr. POMPEO. Right, but even before you decide, when you get the report, you have clearly hired a contractor to do a report, and you already have documents from this contractor, right?

Mr. WILKINS. Yes.

Mr. POMPEO. They have provided you interim reports, that we get the interim reports.

Mr. WILKINS. We certainly will give you the final report. We want to make sure——

Mr. POMPEO. Can we get the interim reports?

Mr. WILKINS [continuing]. The interim reports are——

Mr. POMPEO. That is a yes-or-no question. Can we just get the interim reports?

Mr. WILKINS. Well——

Mr. POMPEO. That is——

Mr. WILKINS [continuing]. I think we wouldn't want to provide things that ultimately weren't what we relied on.

Mr. POMPEO. Sure you would. Sure, it is OK for us to see them. There is no harm in us seeing them. You may make a different decision.

Mr. WILKINS. We——

Mr. POMPEO. Taxpayers paid for these. What is the harm in sharing them with the Legislative Branch?

Mr. WILKINS. Certainly, whatever, of course, things that you request we will provide.

Mr. POMPEO. Great, thank you.

I yield back.

Mr. LATTA. The gentleman yields back.

And the chair recognizes the gentleman from Kentucky, Mr. Guthrie, for 5 minutes.

Mr. GUTHRIE. Thank you.

You said replace an engineer with a lawyer. Aren't you both an engineer and a lawyer? So Mr. Pompeo has a good perspective.

Mr. POMPEO. We yield.

Mr. GUTHRIE. Not a practicing—I will yield to you, not a practicing lawyer.

I have a question on spectrum. I have gotten involved with Ms. Matsui on the government spectrum. Hopefully free up more spectrum from auctions, so I was just going to tie into that, just some budget questions on that. And specifically the process of retaining auction revenues and how it works in practice——

Mr. WILKINS. Yes.

Mr. GUTHRIE [continuing]. And I am interested in what happens when the FCC is authorized to retain a certain amount to offset the cost of the auction administration in a certain year, but auctions in that particular year raise less than the threshold. I believe that this happened in 2008-'12, where in no year did the FCC reach the \$85 million threshold. So my question then, when the auction failed to raise more money than the FCC is permitted to retain, how is the difference made up to cover the expense of the auctions?

Mr. WILKINS. Right. So I don't have the specifics on the year you mentioned. We will be glad to provide——

Mr. GUTHRIE. OK.

Mr. WILKINS [continuing]. Anything additional. The general process is, obviously——

Mr. GUTHRIE. Yes, the general process I am interested in.

Mr. WILKINS. Yes. Obviously, Congress sets our cap of revenues we are allowed to use, and then there is sort of a separate process we have to do with OMB——

Mr. GUTHRIE. Yes.

Mr. WILKINS [continuing]. Around retaining some certain amount of auction revenue so that they can then give us those funds as Congress sets the cap. So just for example, so right now, I believe we have a little bit less than 3 years worth of current auctions program in our auctions account at the Treasury. So we are sort of funded through at least the next 2 fiscal years and into the next, and then certainly this question of what is retained for future FCC use from the AWS-3 auction will be part of that discussion with OMB too.

Mr. GUTHRIE. So can it be carried over from previous years and previous auctions, and if so, can you carry over to the future auctions and are there restrictions?

Mr. WILKINS. Well, OMB will keep the funds in an account, so the funds—so the money is there.

Mr. GUTHRIE. Yes.

Mr. WILKINS. We certainly only can use what Congress sets our cap for, or if we have approval to reprogram funds or if funds can be on a know your basis moved from one to the——

Mr. GUTHRIE. So they can go from one year to the next, as long as they are within the cap.

Mr. WILKINS. Yes. Our ability to spend the money is just set by the Congressional appropriation process.

Mr. GUTHRIE. OK. But——

Mr. WILKINS. The question is the money there is OMB.

Mr. GUTHRIE. So when it goes above the cap, well, it depends on the appropriations process you said.

Mr. WILKINS. Yes, we——

Mr. GUTHRIE. It would revert to the deficit reduction at that point.

Mr. WILKINS. Right. Yes, we can't go above our cap unless we got appropriator approval to do that through a reprogramming or something.

Mr. GUTHRIE. And on a related note, given that there are no significant trenches of spectrum in the auction queue beyond the broadcast incentive auction scheduled for next year, and hopefully we can do some government auction eventually, and considering the request for an increase in the cap on retention and spending of auction proceeds, because I believe in this budget request there is an increase in the cap on—in the cap on retention and spending of the auction fees.

Mr. WILKINS. Yes, to 117, yes.

Mr. GUTHRIE. So should we expect the FCC to identify additional bands that could be brought to auction during the time after the incentive auction, which would require funding to support these activities?

Mr. WILKINS. Well, certainly our experts in our auctions program work with all the different government entities involved in spectrum planning and certainly we want to be in the business of making spectrum available for use, so we will participate in that. And of course, the question of what level of auctions is set aside so it funds our program, from a management standpoint we try to make sure OMB thinks at least a few years ahead so we don't run out of money——

Mr. GUTHRIE. Yes.

Mr. WILKINS [continuing]. And of course, OMB wants to make sure the money is used more broadly too, so that is just part of the ongoing dialogue.

Mr. GUTHRIE. Perfect. Well, I appreciate your answers in this and your forthrightness.

And, Mr. Chairman, I yield back.

Mr. WALDEN. Gentleman yields back the balance of his time. Appreciate his participation in the hearing.

I am going to yield a minute to Ms. Eshoo who wanted to do some follow-up comments.

Ms. ESHOO. Thank you, Mr. Chairman. I appreciate it.

The gentleman from Ohio, Mr. Johnson, we weren't back in the room yet, he raised a very interesting point about asking Mr. Wilkins would the FCC not have saved money, essentially, if, in fact, there were a legislative approach to the issue of net neutrality. And



I think it is important to state for the record that, wherever people are on this, that is where they are——

Mr. WILKINS. Sure.

Ms. ESHOO [continuing]. But I think that it is important to state for the record that broadcasters sued after decisions were taken by the Congress. USF, I mean there is a line as long as Independence Avenue of people that sued relative to what the Congress did and the lawsuits that were filed. Certainly, the incentive auction brought forward lawsuits. There was previous action by the Congress on net neutrality, but I don't think it stands in the same area as the 3 that I just mentioned. So there is not a tidy answer to this. There just isn't. It is not one size fits all. Congress takes actions on a daily basis, and people sue. So it is not just one way or the other. And I just wanted to get that down for the record. And I appreciate your giving me the time.

And, Mr. Wilkins, I think you have just been a terrific witness because you are an effective person at the FCC in terms of the work that you do. Thank you.

And thank you, Mr. Chairman.

Mr. WALDEN. Thank the gentlelady for her comments.

And, Mr. Wilkins, as you know, our committee is very interested in doing its due diligence here, just as you are at the commission. You know we have a lot of questions that we have given you to work on, and again, in my opening questions there are some we would really appreciate getting the answers to before the five commissioners are here in a little over 10 days. So we appreciate that. And we will continue to go back and forth with you on the data requests that the committee has had. And again, thank you for the work you do down there, and thank you for participating in our hearing.

And with that, we stand adjourned.

[Whereupon, at 11:53 a.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

#### PREPARED STATEMENT OF HON. FRED UPTON

Today we are starting down the road to reauthorize the Federal Communications Commission—a task not undertaken since the first Bush administration. We are starting this process with a relatively simple, but important step—an examination of the FCC's Fiscal Year 2016 Budget Request. We have had numerous concerns about the commission's processes and recent actions—leading to aggressive oversight of the FCC. Today's examination of the agency's budget request will help bring openness and transparency to the nuts and bolts of how the agency executes its mission and where the commission appears to be headed.

The communications ecosystem that the agency oversees today is one that could not have been fully envisioned in 1990. As we look at reauthorization, we must ensure that the FCC is responsive to the marketplace and encourages innovation rather than stand in the way. Demonstrating the need for modernization, the commission majority last week abandoned years of bipartisan light-touch regulation of the Internet in favor of heavy-handed, intrusive government regulation.

On its face, the budget request suggests much more of the same from the FCC, with one caveat. If approved, the agency's funding will exceed the half billion dollar mark for the first time. And it proposes to reach these heights by expanding its funding sources beyond regulatory fee collections and spectrum auction proceeds to include money taken directly from the Universal Service Fund. This is troubling. The USF is funded directly by consumers of telecommunications services. On its face, it appears that the agency's solution to the pressing need for fiscal discipline is simply to take money out of consumers' pockets. And while Congress has approved a transfer of funds from the USF in the past, it approved that funding for

the FCC's Office of Inspector General and expressly for audits and investigations to protect the fund against waste, fraud, and abuse. In contrast, it appears the FCC intends this funding to pay for the costs of performing part of its core mission—implementing and administering the Universal Service Fund.

There are, as we have come to expect, other proposed increases in the commission's request—more money for IT modernization and \$51 million for the agency's new offices. Collectively they represent a request for an \$84 million increase in funding for the agency. As I have noted before, it is a critical part of this committee's work to foster a smaller, more nimble government for the innovation age. I look forward to the examination of these proposed increases and understanding of how the FCC's request furthers this goal.

## ConsumersUnion®

POLICY & ACTION FROM CONSUMER REPORTS

March 4, 2015

The Honorable Greg Walden, Chairman  
Subcommittee on Communications and Technology  
Committee on Energy and Commerce  
2182 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Anna Eshoo, Ranking Member  
Subcommittee on Communications and Technology  
Committee on Energy and Commerce  
241 Cannon House Office Building  
Washington, D.C. 20515

Dear Chairman Walden and Ranking Member Eshoo:

As the House Energy and Commerce Subcommittee on Communications and Technology meets to consider the Federal Communications Commission's FY 2016 budget request, Consumers Union, the policy and advocacy arm of Consumer Reports, writes in support of the FCC's ongoing IT modernization efforts and to note the importance of these initiatives for consumers.

Today's hearing is an important opportunity to ensure that the FCC is able to implement the technology it needs to streamline existing processes and achieve its Congressional directives.

The efforts to modernize the FCC's systems have already resulted in benefits to consumers. The Commission's new online help center improves the complex and outdated complaint process and provides educational materials in a consumer-friendly format. Consumers Union provided input in this process and believes it was an important first step in improving the FCC's systems and online presence.

We strongly support the Commission's stated goals of modernizing its reporting systems, improving transparency, and promoting data-driven policymaking.

As the Commission notes, limited funds continue to serve as a barrier to continued improvements – improvements that would result in cost savings, efficiency, and could ultimately help protect consumers.

We hope the Subcommittee will provide the FCC with the critical resources it needs to help and serve consumers.

Sincerely,



Delara Derakhshani  
Policy Counsel  
Consumers Union

### Consumers Union

**Headquarters Office**  
101 Truman Avenue  
Yonkers, New York 10703-1057  
(914) 378-2029  
(914) 378-2992 (fax)

**Washington Office**  
1101 17th Street N.W. # 500  
Washington, DC 20036  
(202) 462-6262  
(202) 265-9548 (fax)

**West Coast Office**  
1535 Mission Street  
San Francisco, CA 94103-2512  
(415) 431-6747  
(415) 431-0906 (Fax)

**South West Office**  
506 W. 14th, Suite A  
Austin, TX 78701-1723  
(512) 477-4431  
(512) 477-8934 (fax)

FRED UPTON, MICHIGAN  
CHAIRMAN

FRANK PALLONE, JR., NEW JERSEY  
RANKING MEMBER

ONE HUNDRED FOURTEENTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
COMMITTEE ON ENERGY AND COMMERCE  
2125 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-6115  
Majority (202) 225-2927  
Minority (202) 225-3641

April 2, 2015

Mr. Jon Wilkins  
Managing Director  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

Dear Mr. Wilkins:

Thank you for appearing before the Subcommittee on Communications and Technology on March 4, 2015, to testify at the hearing entitled "Reauthorization of the Federal Communications Commission: The FCC's FY 2016 Budget Request."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions with a transmittal letter by the close of business on April 16, 2015. Your responses should be mailed to Charlotte Savercool, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, D.C. 20515 and e-mailed in Word format to [Charlotte.Savercool@mail.house.gov](mailto:Charlotte.Savercool@mail.house.gov).

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,



Greg Walden  
Chairman  
Subcommittee on Communications and Technology

cc: Anna Eshoo, Ranking Member, Subcommittee on Communications and Technology

Attachment

**QUESTIONS FOR THE RECORD**  
**JON WILKINS**  
**MANAGING DIRECTOR**  
**FEDERAL COMMUNICATIONS COMMISSION**

**The Honorable Greg Walden**

**Question One:** The FCC makes a "one time request" of \$51 million for move or restacking in the FY2016 Budget Request. Are a move and restacking equivalent? If not, explain how they differ and which would be less costly? Have contracts already been awarded for work related to the move/restacking? If so, provide a list of the awardees including the amount of the contract, the services to be performed, the date the contract was awarded, and whether it was sole source or competitively bid. For each contract identified as awarded through competitive bidding identify whether it was the lowest bid received.

**Answer:** The move and the restacking are not equivalent. GSA will issue a Request for Lease Proposal (RLP) in a full and open competition. The basic reasons for cost differentials are as follows:

1) Restacking – If the incumbent is awarded a contract from the RLP the Commission will go through a restacking process in the current Portals building that will reduce the amount of lease space under the new lease. This process will require the Commission to lease temporary space offsite to perform the restacking process at the Portals building.

2) Move – If a lessor other than the Portals owner is awarded a contract under the RLP, the Commission will move to the new location. Under this process, no temporary office space is required because no restacking process is required at the Portals building. In addition, the RLP will contain green requirements.

GSA has informed the FCC that it is more likely that the restacking process will be more costly because that process requires the lease of a temporary space to perform the restacking process. We will not know which process is the best value until the RLP offers are submitted because the incumbent may offer a bid that is of best value and that bid includes costs for leasing a temporary space and performing the necessary upgrades/construction for Portals II.

The FCC awarded a contract to Federal Acquisition Strategies, LLC for Acquisition Support Services which covers multiple acquisition projects. The FCC funded \$534,000.00 for the period of March 1, 2015 through February 28, 2017 for project management support services specifically for the relocation effort. This procurement was posted on GSA E-buy as a competitive action and received one proposal.

**Question Two:** According to the Fiscal Year 2016 Budget Request the Office of Chairman and Commissioners accounts for 23 FTEs. Please identify the number of FTEs assigned to each office.

**Answer:** The number of FTEs assigned to the Chairman and Commissioners offices for Fiscal Year 2016 is listed below.

Chairman Wheeler: Seven

Commissioner Clyburn: Four

Commissioner Pai: Four

Commissioner Rosenworcel: Four

Commissioner O'Reilly: Four

**Question Three:** The FY 2016 Budget Request includes \$2.4 million to engage an administrator to manage the Broadcast Relocation Fund. Is that engagement going to be awarded through competitive bidding? If not explain why? How did the Commission reach this figure? Is this a one-time request or do you think additional funding will be necessary? If additional funding will be necessary, how much more will be required? Where exactly are these funds going to come from? The Commission has engaged clearinghouses before to manage cost sharing in the clearing of spectrum bands, how much did it cost those entities to manage a spectrum clearinghouse?

**Answer:** The Commission will conduct a full and open procurement to select an administrator to manage the Broadcast Relocation Fund. We expect to complete the procurement later this year, with the goal of having the contractor engaged prior to the start of the incentive auction. To clarify, \$2.4 million is the amount budgeted for the Fund's administrative contractor's expenses and compliance assessments for FY 2016. Because we will engage the reimbursement contractor for the duration of the statutory three-year reimbursement period, and we do not yet know the total cost of the contract, we cannot yet determine whether the Commission will request additional funds for the contract in the future.

Regarding other clearinghouses, the 800 MHz Transition Administrator received more than \$300 million over 9 years, or slightly under \$30 million per year to manage the relocation of public safety licensees in the 800 MHz band. Those expenses were paid by Sprint, however; they were not public funds.

**Question Four:** According to the proposed Fiscal Year 2016 Budget Request for the Office of Managing Director, Other Contractual Services will increase \$76,756,480 from \$34,180,808 million for Fiscal Year 2014 to \$110,937,288 for Fiscal Year 2016. Under the Fiscal Year 2016 Budget Request Auction Cost Reimbursable Authority for contract services will increase \$18,605,000 from \$10,971,000 to \$29,576,000. Combined this reflects an increase in contractual services of \$106,332,480. Identify how much of this increase is associated with the proposed move/restacking. For any remaining balance explain what the funds will be used for.

**Answer:** The amounts associated with the move/restacking project for FY 2016 is \$51,358,497 (\$44,168,497 Salaries and Expenses and \$7,190,000 Auctions). A complete list of items that make up the increase is shown in the table below.

<b>Other Contractual Services - Regulatory Fees</b>		
	<b>FY 2014 Actuals</b>	<b>\$34,180,808</b>
	<b>Increases &amp; Adjustments:</b>	
	Additional Cost for Administrative Service Contracts	\$789,865
	Additional Cost for IT Contract Services for continuing development & ongoing maintenance	\$2,693,433
	IT support for moving to Cloud-based platform - from decrease in C&B	\$7,000,000
	Inflationary Increases	\$649,905
	IT Rewriting of FCC Legacy Applications to Cloud Based Platform	\$9,569,493
	IT Replacing FCC Legacy Infrastructure with Managed IT Ser. Provider	\$5,790,107
	IT Improving the Resiliency of the FCC Enterprise	\$2,245,180
	Broadband Map	\$3,000,000
	Public Safety Answering Point - Do Not Call Registry	\$850,000
	FCC Headquarters Move	\$44,168,497
	<b>FY 2016 Request</b>	<b>\$110,937,288</b>
<b>Other Contractual Services - Auction Cost Reimbursable</b>		
	<b>FY 2014 Actuals</b>	<b>\$10,971,000</b>
	<b>Increases &amp; Adjustments:</b>	
	<b>Adjustment to the base from FY14 to FY15</b>	
	WTB Contracts - Auction Design & Implementation	\$7,748,278
	Preliminary work on Broadcaster Television Spectrum Incentive Auction Repacking	\$497,893
	Increase to Library, AO, HRM, and FOD contract cost	\$210,070
	Increase in Training cost	\$60,623
	Increase to Call Center contract	\$22,245
	OIG Contract Services	\$264,460
	Inflationary Increases	\$154,431
	Broadcasting Relocation Fund Admin. & Related Government Compliance Work	\$2,457,000
	FCC Headquarters Move	\$7,190,000
	<b>FY 2016 Request</b>	<b>\$29,576,000</b>

**The Honorable Bob Latta**

**Question One:** The Commission has requested \$10 million to create a Joint USF Anti-Fraud Task Force. Compared to previous years, does the FCC project this Task Force to recover more or less money? Please provide specific and/or estimated dollar amounts.

**Answer:** The Commission requested a transfer of \$25 million from the Universal Service Fund for the Commission's oversight costs of USF programs and administration in its FY 2016 Budget request. As noted in the budget request, approximately \$10 million of the request will be used for anti-fraud efforts – many of which are currently being developed by the Commission. Specifically, the Commission is continuing its efforts to develop a Joint USF Anti-Fraud Task Force (Task Force) to combine resources agency-wide. The Task Force is developing and implementing a strategic, targeted approach to identifying, preventing, eliminating, and

prosecuting activities that undermine the integrity of the USF programs, in addition to recovering of funds that should not have been disbursed due to those fraudulent activities. In time, it is expected that these additional investments will return substantially more than they cost in the form of reduced and recovered improper payments, as well as improved improper payment identification and mitigation.

The Enforcement Bureau has been active in the area of USF related enforcement actions; below please find a list of recent actions:

- **Lifeline Rule Violations.** In April 2015, the Bureau negotiated Consent Decrees with AT&T and Southern New England Telephone Company that collectively required the payment of \$10.9 million in civil penalties for failing to timely de-enroll Lifeline subscribers who had not responded to the companies' annual eligibility recertification requests and for failing to maintain proper records relating to Lifeline subscribers.
  - ◆ Between September 2013 and February 2014, the Bureau released 12 Commission-level NALs, proposing over \$90 million in proposed forfeitures for apparent violations of the FCC's Lifeline rules. In each case, the carrier knew or should have known, based on internal data, that subscribers it claimed were ineligible because they were already receiving service from that carrier. The proposed penalties were in addition to full recovery of the universal service funds paid to the carriers for the duplicative Lifeline service.
  - ◆ In February 2012, the Bureau negotiated Consent Decrees with two affiliated Lifeline service providers resulting in \$600,000 in voluntary contributions to the U.S. Treasury and over \$400,000 in repayments to the USF for overpayments resulting from duplicative Lifeline support claims.
  - ◆ The Bureau continues to investigate potential violations of the Commission's Lifeline rules based on audit data provided by USAC, tips submitted to the Bureau's dedicated Lifeline Fraud voicemail and email tip lines, and other sources identifying possible waste, fraud and abuse in the Lifeline program.
- **Lifeline Citations.** In 2013, the Bureau served more than 300 Citations on individual consumers who received duplicative Lifeline service in violation of FCC rules.
- **Contribution Cases.** On February 3, 2015, the Commission issued a Policy Statement proposing a new methodology for imposing forfeitures for violations of the USF contribution rules. The new methodology would apply a treble damages approach in an effort to streamline the process of assessing forfeitures and thereby promote increased compliance with the rules. On January 24, 2015, the Commission released a Notice of Apparent Liability for Forfeiture (NAL) and proposed a penalty of \$1,588,988 against Advanced Tel, Inc. for the Company's apparent failures to timely and fully pay required payments to federal regulatory programs and to timely file required revenue information. During FY 2014, the Bureau negotiated three Consent Decrees that produced payments of over \$1.1 million to the U.S. Treasury. During FY 2013, the Bureau settled two USF contribution cases resulting in payments of over \$1.7 million to the U.S. Treasury. In 2012, the Bureau's USF contribution enforcement actions included three NALs assessing \$2,433,775 in proposed forfeitures for failure to contribute to the USF. The Bureau also negotiated three Consent Decrees



totaling \$574,000 in voluntary contributions to the U.S. Treasury for USF underfunding. The investigations associated with these enforcement actions also resulted in significant payments to the universal service fund.

- ◆ The Commission has also acted to ensure that companies providing interstate telecommunication provide the Universal Service Administrative Company (USAC) with the information it needs to calculate the companies' USF contribution obligations. These actions include a May 2015 NAL proposing a \$100,000 forfeiture against Simple Network, Inc. for failing to register with USAC; a May 2014 Forfeiture Order imposing a \$100,000 forfeiture against RB Communications, Inc. d/b/a Starfone for a similar violation; a September 2014 NAL proposing \$150,000 in forfeitures against PTT Phone Cards, Inc. for failing to file annual telecommunications reporting worksheets with USAC; and an April 2014 Consent Decree requiring the payment of \$90,000 to the U.S. Treasury for USF-related filing violations.
- **E-Rate Suspensions and Debarments.** Since the beginning of 2008, the Commission has debarred 30 individuals convicted of federal crimes relating to defrauding the government or engaging in similar acts through activities associated with or related to the schools and libraries E-Rate support mechanism.
  - ◆ During 2013, the Bureau released two Debarment Letters against individuals prosecuted for fraud in connection with the E-Rate program. In 2014, the Bureau issued three Suspension Notices and one Debarment Letter against individuals convicted of fraudulent activities associated with or related to the E-Rate program. In January 2015, the Bureau issued three Debarment Letters against individuals prosecuted for fraud in connection with the E-Rate program.

**Question Two:** The Commission has requested over \$44 million to move or restack the FCC Headquarters. Can you provide a breakdown of this cost and explain how that money would be spent?

**Answer:** The Commission included in the FY 2016 Congressional budget request a total of \$51 million for the move/restacking project, not \$44 million. The \$51 million increase includes \$44 million from Salaries and Expenses and \$7 million from Auctions. In the FY 2017 Congressional budget we plan to request the remainder of the funds to complete the move/restacking project or approximately \$20M. The estimated number for the move/restacking project provided by GSA was \$71 million and the detailed breakdown of the GSA numbers follows.

Real Property Cost – \$40M

- Construction cost – \$40M
- Design cost – \$2M
- Lessors fee – \$3M
- Contingency – \$3M
- Escalation – \$4M
- Financed by lessor – (\$14M)

- GSA Management Fee – \$2M
- Personal Property Cost – \$31M
  - Move – \$2M
  - AV/Cabling/IT/Telecom – \$7M
  - Security – \$3M
  - Furniture – \$9M
  - IT costs – \$2M
  - Contingency – \$2M
  - Escalation – \$2M
  - GSA Management Fee – \$1M
  - Wayfinding & Culture Change Consulting – \$2M
  - Other – \$1M

**Question Three:** The Inspector General is required to conduct audits of the Commission's financial statements. You confirmed that the IG audited the Commission's FY2014 financial statements and the audit report identified material weakness with regard to the Universal Service Fund. You testified that there was "no impact" and that "no money was lost." You also stated that the issue related to changes in USAC's financial system. Describe in detail the material weakness identified by the auditor. Explain how the accounting failure identified by the auditor as "material" can be "material" but have no impact on the Universal Service Fund. Describe how the material weakness affected the collection of universal service funds. Describe how the material weakness affected the disbursement of universal service funds.

**Answer:** KPMG, the independent auditors hired by the Office of Inspector General to perform the audit, identified three issues related to the internal controls at the Universal Service Company (USAC) that contributed to the identification of the material weakness. Specifically, KPMG noted the following:

1) USAC did not initially follow an FCC approved administrative change issued in February 2013 extending the invoice deadline and obligation expiration date for \$581 million in SLD obligations. As a result, the obligations were incorrectly de-obligated in November 2013. USAC management subsequently identified its error and corrected the error in February 2014, three months later by re-obligating the funds. KPMG noted that the related controls, as well as the compensating controls, were not adequate to detect and correct the error in a timely manner. This error did not have a cash effect on the Universal Service Fund (USF) because no cash was collected or expended in November 2013 when the funds were de-obligated and no cash was collected or expended when the funds were re-obligated in February 2014, as a result the error had no impact on collections or disbursements. This error only impacted budgetary accounts of the USF for a three month period, and those accounts do not have any impact on cash.

2) An unusual transaction of \$62 million existed in the population of new commitments provided by USAC for the High Cost Connect America Fund (CAF). This transaction was related to the de-obligation of unclaimed CAF Phase 1 amounts. This transaction

was the result of USAC incorrectly debiting the Exempt Delivered Orders – Obligations, Unpaid (account 4801) instead of Downward Adjustments of Prior-Year Unpaid Undelivered Orders – Obligations, Recoveries (account 4871). This error was subsequently corrected as of September 30, 2014. This error did not have a cash effect on the USF because no cash was collected or expended when the funds were de-obligated and no cash was collected or expended when the correction took place prior to September 30, 2014, as a result the error had no impact on collections or disbursements. This error only impacted budgetary accounts of the USF and those accounts do not have an impact on cash.

3) USAC incorrectly recorded an obligation for the full amount of a High Cost Mobility fund winning bid, for which a portion in the amount of \$48,400 was in default as of September 30, 2013. The error was discovered during an informal review of transactions by USAC in September 2014 and reversed. This error did not have a cash effect on the USF because no cash was collected or expended when the funds were de-obligated and no cash was collected or expended when the correction took place in September 2014, as a result the error had no impact on collections or disbursements. This error only impacted budgetary accounts of the USF and those accounts do not have an impact on cash.

**Question Four:** In the FCC's e-rate Modernization Order of December 19, 2014, the FCC increased the annual cap on the Schools and Libraries Fund from \$2.4 billion to \$3.9 billion for a total increase of \$1.5 billion. In the FCC's budget request for FY2016, the size of the USF for FY2014 was shown to be \$10.34 billion, approximately \$1.5 billion higher than USAC projections for the same period.

A. Is this \$1.5 billion increase in the USF for FY2014 caused by the increase in the Schools and Libraries Fund approved last December?

**Answer:** The USF projected number for FY 2014 that was provided in the Commission's FY 2015 Congressional Budget request on page 86, row 0900 identified \$11.760 billion in total new estimated obligations. The actual number for FY 2014 as reported in the Commission's FY 2016 Congressional Budget on page 109, row 0900 identified \$10.343 billion or a \$1.417 billion decrease in FY 2014 total new obligations. This \$1.417 billion decrease is not related to the increase in the Schools and Libraries Fund cap that the FCC approved last December.

B. If not, what is the cause of the \$1.5 billion increase in the USF during FY2014?

**Answer:** As mentioned above, please note that there was a decrease of \$1.417 billion in FY 2014 actuals in comparison to FY 2014 projected numbers.

**Question Five:** In the FCC's budget request for FY2016, the total size of the overall fund is projected to increase from \$10.34 for FY2014 to \$12.1 billion in FY2016 for an additional increase of \$1.7 billion. On December 23, 2014, USAC estimated that \$2.0 billion of unused funds for Schools and Libraries would be available to carry forward to the Schools and

Libraries Fund from prior fiscal years for use in FY2016 and beyond. Also, USAC projects the CAF Reserve for the High Cost Fund that remains unused is projected to be to \$2.36 billion by second quarter of 2015.

A. What is the cause of the \$1.7 billion increase in the overall fund in FY2016?

**Answer:** The projected increase in the overall fund in FY 2016 incorporates the following projections:

Increase in High Cost	\$1.02 billion
Decrease in Lifeline	\$(0.04) billion
Increase in Schools & Libraries	\$ 0.74 billion
Increase in Rural Health Care	\$ 0.06 billion
Decrease in TRS	\$(0.07) billion
Total	<u>\$ 1.710 billion</u>

E-Rate:

The projected increase in Schools and Libraries is from an increase in the rollover number and inflationary adjustment to the cap. The Schools and Libraries cap funding and rollover funding is listed below for funding years 2013 through 2016. The Funding Year for the Schools and Libraries program runs from July 1 through June 30 of each year. This is different from the Federal government's Fiscal Year, which runs from October 1 through September 30. The amounts listed below by Funding Year provide some insight into the increases that are projected for the Schools and Libraries program by Fiscal Year.

The Commission's budget projections for USF were developed before the funding cap was raised for the Schools and Libraries program, thus the USF budget projections in the FCC's FY 2016 Budget submission do not include any increases for the adjustment to the cap.

- 1) Funding Year 2013 cap funding - \$2.380 billion; rollover funding - \$450 million
- 2) Funding Year 2014 cap funding - \$2.413 billion; rollover funding - \$200 million
- 3) Funding Year 2015 cap funding - \$2.457 billion; rollover funding - \$1.2 billion
- 4) Funding Year 2016 cap funding - \$2.501 billion; rollover funding - \$1.2 billion

High-Cost:

In the *2011 USF/ICC Transformation Order*, the Commission adopted an annual budget for the high-cost portion of USF of no more than \$4.5 billion. Further, the Commission adopted a framework to permit the Fund to accumulate reserves in the near term to be used to facilitate the transition to the CAF and to fund one-time universal service expenses without causing swings in the contribution factor.

Specifically, the Commission instructed USAC, in its quarterly demand filing, to forecast total high-cost universal service demand as no less than \$1.125 billion (i.e., one quarter of the annual \$4.5 billion budget). In quarters in which actual demand is less than \$1.125 billion, excess contributions are to be credited to the CAF Reserve account. In any quarter in which actual demand exceeds \$1.125 billion – which has not happened since the Commission

adopted the budget – the Commission instructed USAC to use the balances accrued in the CAF Reserve account to reduce demand to \$1.125 billion.

Accordingly, while the Commission's budget request shows an increase in high-cost outlays during FY 2016, this increase is consistent with the budget adopted in the USF/ICC Transformation Order and will not create any increase in the contribution factor. To the extent forecasted outlays exceed \$1.125 billion in any quarter of FY 2016 or a subsequent year, the CAF reserve funds will be used to limit requirements from contributions to \$1.125 billion.

The sources of the forecasted increase in the high-cost outlays are the Mobility Fund Phase II and the Remote Areas Fund, which the Commission anticipated would be implemented no earlier than FY2016, and the transition from Connect America Phase I to Connect America Phase II, which the Commission began in Calendar Year 2015.

B. How are the carry forwards of unused e-rate funds of \$2.0 billion and reserved High Cost Funds of \$2.36 billion accounted for in this \$1.7 billion increase in the total size of the fund projected for FY2016?

**Answer:** We projected unused E-rate funds of \$1.2 billion in each of Funding Years 2015 and 2016, and they are shown as rollover funding above. Projected unused High Cost funds of \$1.2 billion are accounted for in FY 2016; other projected unused High Cost funds will be used in future years.

C. Will the FCC through USAC still collect those projected budgeted amounts for the fund from ratepayers through the contribution mechanism in FY 2016 even though the fund has unused reserves that could be used to pay for the disbursements in FY 2016?

**Answer:** In Funding Year 2015 and Fiscal Year 2015, the Commission has no plans to collect additional funds for the increase to the E-rate cap. In Funding Year 2016 and Fiscal Year 2016, the Commission plans to use E-rate carryover funds before evaluating whether it needs to collect funds for the increased cap. The Commission has no plans to increase collections for the High Cost fund and plans to use unused funds in coming years.

D. Will any of the reserve funds be used to offset increases in the overall USF? If so, when?

**Answer:** The Commission is using over \$1.5 billion in unused E-rate funds to meet demand for Funding Year 2015 and plans to use any remaining unused funds in Funding Year 2016 as well. As described above, the Commission plans to use the CAF Reserve to stabilize the effect of fluctuations in high-cost demand on the contribution factor. In any quarter in which high-cost demand exceeds \$1.125 billion – which has not happened since the Commission adopted the budget – the CAF Reserve will be used to reduce demand to \$1.125 billion. In addition, the CAF Reserve may be used to support one-time or limited-term universal service projects, such as the recently completed Connect America Phase I incremental support and the Connect America rural broadband experiments. The Commission will also commit some of the reserves to the Connect America Phase II competitive bidding process.

**The Honorable Marsha Blackburn**

**Question One:** After your last appearance before the Committee we asked you about the Memorandum of Understanding between the FCC and USAC which outlined the responsibility of the FCC's Wireline Competition Bureau, the Enforcement Bureau, your office, the General Counsel's Office, USAC, and the FCC's Office of Inspector General with regard to oversight and administration of the fund.

- A. You informed us in follow-up that it was still effective although it was modified in November 2014. Has the allocation of responsibilities between bureaus been changed since it was first executed? If so describe any changes?

**Answer:** In order to facilitate the efficient management and oversight of the USF program, the FCC entered into a Memorandum of Understanding (MOU) with USAC in 2008. In November 2014, the FCC and USAC amended sections I, II, III.A, IV.B, and VI and Attachment E of the 2008 MOU were amended by the FCC and USAC. Amendments were made primarily to the portion of the MOU addressing USAC procurement process, which now include: (1) providing the FCC with a procurement plan on an annual basis; (2) providing the FCC on a quarterly basis, a report showing status of USAC procurement activity and advance notice of any upcoming procurement activity; (3) Managing Director approval of competitive procurements and procurement activities greater than \$500,000; (4) posting by USAC of all competitive solicitations in excess of \$25,000 on the USAC and FedBizOpps websites; (5) provision of an annual fiscal year-end procurement report by USAC for procurements in excess of \$100,000; and (6) implementation and adherence by USAC to the procurement standards and procedures set forth in 2 C.F.R. §§ 200.318-.321, 200.323, and 200.325-.326, & App. II to 2 C.F.R. Part 200 (including any amendments to these sections during the term of the MOU).

The FCC and USAC continue to collaborate on ways to further improve the MOU. In particular, Commission staff are currently coordinating with USAC on updating the portions of the MOU that require submission of reports to the FCC, performance measurements, responsibilities of the FCC and USAC, and the operational relationship between the FCC and USAC.

- B. Are any of the Commission Bureaus and Offices not named in the MOU intended to be funded with any of the \$25 million in universal service funds requested in the FCC's FY2016 Budget Request? If so which ones? For any identified how much of the \$25 million is proposed to be allocated?

**Answer:** The \$25 million number was reached by calculating hours attributable to USF activities. The hours were not assessed on a per bureau basis.

**Question Two:** The MOU describes the responsibilities of the Enforcement Bureau as "administrative enforcement action." It appears that the IG is responsible for Universal Service Fund fraud work-the criminal activity. However, it appears that the Enforcement

Bureau will be taking on those responsibilities. What plans does the Managing Director's Office have to ensure that given the Enforcement Bureau's assumption of the IG's activities there will be no duplication in effort? How will this new work impact the Enforcement Bureau's existing obligations to address other rule violations, including consumer complaints filed under the TCPA?

**Answer:** The FCC's Office of Inspector General (OIG) and Enforcement Bureau (EB) both have the legal authority and responsibility to combat fraud and other types of misconduct in Universal Service Fund (USF) programs.

Under the Inspector General Act of 1978 (the IG Act), the OIG has the authority "to provide policy direction for and to conduct, supervise, and coordinate audits and investigations relating to the programs and operations" of the FCC. 5 U.S.C. App. 4(a)(1)). In the course of exercising this authority, the OIG may uncover conduct suggesting the violation of criminal law. The IG Act requires the OIG to expeditiously refer such evidence to the Attorney General. 5 U.S.C. 4(d).

Under the Communications Act of 1934, the FCC has the authority to "execute and enforce" the provisions of the Act (the Act). 47 U.S.C. 151. The Act gives the Commission the authority – exercised through the EB – to investigate, sanction and assess forfeiture penalties against parties that violate the Act or the Commission's rules. 47 U.S.C. 503(b). By contrast, the Inspector General does not have the authority to enforce the Act and rules, and in fact, section 8G(a)(2) of the Inspector General Act prohibits the IG from taking on such "program operating responsibilities." The EB's USF Strike Force operates pursuant to this enforcement authority. In the course of exercising this authority, if EB uncovers conduct suggesting a violation of criminal law in connection with USF programs, it will coordinate with OIG on the referral to the Department of Justice.

The EB and OIG offices avoid duplication of efforts by sharing information about their anti-fraud activities. In addition to this informal information sharing, EB and OIG are currently developing a Memorandum of Understanding to coordinate their activities and make sure that they are using the agency's finite resources most efficiently.

EB is committed to sustained and vigorous enforcement of the Act and the Commission's rules, including the consumer protection rules promulgated under the Telephone Consumer Protection Act (TCPA). For example, last May, the FCC entered into a settlement requiring Sprint Corporation to pay a \$7.5 million fine to resolve an EB investigation of the mobile wireless company's failure to honor consumers' do-not-call and do-not-text preferences in violation of the TCPA. That same month, the FCC proposed a penalty of almost \$3 million against Dialing Services, LLC for delivering illegal robocalls to consumers in violation of the TCPA. More recently, the FCC cited three call service companies for making illegal robocalls in violation of the TCPA. The important work of the Strike Force has not and will not detract from EB's ongoing non-USF enforcement activities.

#### **The Honorable Brett Guthrie**

**Question One:** Regarding funds raised through spectrum auctions, how long does OMB keep

these funds in an account for the FCC to cover future auction costs before the funds revert to the general Treasury?

**Answer:** The FCC is required to maintain auction funds to cover future auction costs. The FCC works closely with OMB to determine the amount of auction funds to maintain from auctions and the amount to revert to the general Treasury. The amount of funds that the Commission is required to keep depends to a large degree upon the level of auction activity that is planned in the future.

**Question Two:** As we discussed in the hearing, could you elaborate on the potential for future auctions? Given that there are no significant tranches of spectrum in the auction queue-beyond the broadcast incentive auction scheduled for next year-and considering at the same time the FCC's request in the FY2016 Budget for an increase in the cap on retention and spending of auction proceeds, should we expect the FCC to substantially scale back the amount of support it requests for auctions in the next couple of years due to an absence of scheduled activity?

**Answer:** Spectrum auctions work at the Commission is continually ongoing and will continue to be an essential part of our effort to make additional spectrum available to meet the ever-expanding consumer and business needs for mobile broadband services.

The Commission's costs of designing, developing, and holding spectrum auctions are not necessarily dependent upon the size and number of auctions. For instance, while the Commission did not hold large scale auctions for several years prior to the H Block auction, the auctions staff and equipment was utilized to handle the auction of 16,000 smaller licenses, and the staff was involved in providing essential technical assistance to Congress to develop the Incentive Auction concept. Additionally, even though the incentive auction is planned to be completed in FY 2016, the Broadcaster Relocation efforts that are an integral part of that auction will continue at least until well into 2019.

Moreover, the broadcast incentive auction is by no means the only significant spectrum auction in the Commission's auction queue. In April 2015, the Commission adopted the 3.5 GHz Report and Order that establishes an innovative three-tiered sharing framework to create a 150-MHz band of spectrum that, among other innovative spectrum sharing concepts, envisions periodic auctions occurring every three years (3.5 GHz Auctions) and possibly more often. In the recurring 3.5 GHz Auctions, up to 70 megahertz will be available on a licensed basis. These licenses are for terms of only three years (with the ability to acquire two three-year terms in the first auction). After the first auction, the Commission will hold an auction at least every three years on a going forward basis, and could hold auctions on off years as necessary to meet requests for licenses. The rules were just adopted, and the Commission has several steps before beginning the auctions for this spectrum.

Our next scheduled auction is an auction of certain FM radio allotments that is scheduled to commence on July 23, 2015. There are also a number of other spectrum auctions already on the drawing boards that, while not yet assigned a definitive date, will be held prior to the expiration of our auction authority in 2022, and we expect that there will likely be others as spectrum becomes available. For example, we have an open proceeding to make 500



megahertz of spectrum available through three licenses that will be auctioned in the 14.0-14.5 GHz band, which will be used to improve wireless broadband backhaul to and from airborne aircraft. There are also a number of FM and FM translator auctions that we are on track to hold before 2022. Additionally, the Commission recently initiated a proceeding to identify spectrum in a number of bands above 24 GHz that could be harnessed for mobile services. The Commission sought comment on how these bands could be made available for mobile broadband and other uses, including through auction. Finally, the Commission occasionally holds auctions for spectrum that is in our inventory, including spectrum for which there was not a winning bidder in previous auctions.

The Commission therefore expects to incur costs to develop and conduct spectrum auctions throughout the foreseeable future. The Commission will request the level of funding that is required to run the Spectrum Auction Program. Standard practices have been established and followed at the FCC to ensure compliance with the auction expenditure provisions of Section 309(j) of the Communications Act of 1934, as amended and the Middle Class Tax Relief and Job Creation Act of 2012. In accordance with these Acts, spectrum auction and incentive auction proceeds may be retained by the FCC as an offsetting collection to defray Commission expenses associated with the development and implementation of the auction program. If the level of funds needed to run the Spectrum Auction Program declines in the future the Commission will request less from Congress.

**The Honorable Mike Pompeo**

**Question One:** You testified that the FCC hired a contractor to support your internal staff review that underlies the workforce restructuring that includes closing field offices.

A. Was the contract competitively bid?

**Answer:** The contract was a directed source contract under the SBA 8(a) Small Business Development Program.

B. When was it awarded?

**Answer:** The contract was awarded on October 9, 2014.

C. What was the value of the contract?

**Answer:** The total value of the contract when it was awarded on October 9, 2014 was \$745,603.07. The value of the contract was increased on March 10, 2015 for additional work in the amount of \$99,916.48.

**Question Two:** According to the Fiscal Year 2016 Budget Request the number of FTEs in the Enforcement Bureau will drop from 259 in FY2014 to an estimated 246 in FY 2016. Explain all the assumptions underlying the decrease in FTEs. How will the Commission's plans to close field offices impact this analysis and the final numbers reflected in the budget?

**Answer:** The Commission's assumptions are as follows: 1) The Commission's top priority is to invest in IT modernization to become more efficient. These IT efficiencies will allow the Commission to maintain lower levels of FTEs. 2) The Commission prepared the FY 2016 Congressional budget using the assumption that IT efficiencies would result in 45 fewer FTEs (the budget reflects a net of 37 fewer FTEs calculated by reducing the FCC non-OIG by 45 and increasing the OIG by 8.). The reduction of 45 FTEs was distributed across Bureaus and Offices using a proration methodology tied to the size of each Bureau and Office. 3) The Commission is currently pursuing a number of strategies that may impact FTE specific calculations for Bureaus and Offices, including the potential closure of field offices. As we pursue those strategies and implement them, the actual number of FTEs for Bureaus and Offices will change.

#### **The Honorable Renee Ellmers**

**Question One:** Mr. Wilkins, you were involved in the recent effort to "reform" the E-rate program. In that order, the FCC increased the spending by \$5 billion and denied that there was any increase in what Americans would have to pay. And then a few months later, right after the-election, the Commission passed an order increasing the amount that is collected from consumers each month in order to pay for the spending increase.

A. Will the same thing happen with the upcoming push to expand the Lifeline program?

**Answer:** The Commission is considering additional ways to reform and modernize the Lifeline program as part of its continuing review of all the universal service programs. At this time, staff is considering various options consistent with the Lifeline program's goal of minimizing the financial burden on consumers and businesses. We are also continuing to examine and improve our ongoing efforts to ensure that Lifeline funds are always used for their intended purposes.

B. How can we trust the same thing won't happen with the Title II order that forbears from imposing USF fees on broadband? Can you commit that the FCC will not turn around and remove that restriction in the future?

**Answer:** The Open Internet Order does not impose mandatory contribution assessments, but simply allows a current, separate proceeding on how to reform universal service contributions to proceed. On August 7, 2014, the Commission referred the issue of universal service contributions to the Joint Board on Universal Service, pursuant to section 254(a) of the Communications Act. The Commission asked the Joint Board to examine the record developed in response to the Commission's 2012 Further Notice of Proposed Rulemaking on universal service contributions and provide recommendations. That proceeding is ongoing.

**Question Two:** In recent years the FCC has found hidden buckets of money that it then proposes to spend through reprogramming on special projects. I don't believe the Commission provides the public and Congress all the information it used to about these funds.

A. How much money do you have in the pipeline for reprogramming requests?

**Answer:** The Commission has an obligation to continually review core mission needs and costs throughout the fiscal year. Sometimes we experience emergencies – such as the near breakdown of the Columbia Lab HVAC system, computer resiliency issues and critical IT upgrades. These are examples of reprogramming requests for essential projects in recent years. The Commission continually reviews unliquidated obligations and de-obligates any amounts that will not be expended, thus the amount changes throughout the year. Currently the Commission estimates that \$2 million in Salaries and Expense funds are available for reprogramming requests and \$2 million in Spectrum Auction funds are available for reprogramming requests. More funds are in the pipeline and are expected to be de-obligated, thus the number will change throughout the remainder of this fiscal year.

B. How do you decide how to spend this money?

**Answer:** The Commission maintains an open working relationship with its Appropriations' Subcommittees throughout the year. When we seek a reprogramming, which is actually quite rare compared to other agencies, we do so only with the explicit consent of the Chairs of our Appropriations' Subcommittees. Prior to requesting reprogramming permission from Congress, the Commission conducts an internal review to ensure that we are funding the most mission-critical work. We also request and wait for permission from OMB prior to making the reprogramming request to Congress.

C. Why can't you use these funds to reduce your budget request instead of spending it on new projects?

**Answer:** The Commission does not make requests to fund new projects that require out year funding. Instead, we have utilized de-obligated funds to support essential programmatic activities related to basic operations that represent current year needs.

